

**CITY OF GREEN COVE SPRINGS, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**



CITY COUNCIL

*Mitch Timberlake, Mayor
Constance Butler, Vice Mayor
Steven Kelley
Pamela Lewis
Van Royal*

CITY MANAGER

Danielle Judd

CITY CLERK

Julie Clevinger

FINANCE DIRECTOR

Marlena Guthrie

**CITY OF GREEN COVE SPRINGS
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Council, and City Manager,
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, 2017, 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

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

- 1 -

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

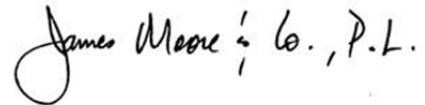
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2018, 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 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.

Daytona Beach, Florida
April 30, 2018

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

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, 2017, by \$56.4 million. Unrestricted net position was \$9.1 million at September 30, 2017.
- The City's net position increased by \$2,418,883 or 4.48%. The governmental net position increased \$881,710 or 3.51% and the business-type net position increased by \$1,537,173 or 5.34%.
- The business-type activities revenues, including capital grants and investment revenue, increased by \$1.1 million or 6.75% and the net results from activities increased by \$664,147 or 76%.
- The governmental net position increased due to an increase in capital grants and contributions.
- The business-type net position increased mainly due to the stormwater and wastewater capital grants and contributions received during fiscal year 2017.

City Highlights

- The City spent approximately \$2.5 million on capital improvements, of which \$2.1 million was for the Historic Spring Park project. The City also purchased approximately \$28K in equipment for the Equipment and Maintenance Fund during the fiscal year. \$30K was spent on the Augusta Savage Community Center Library Building, \$71K was spent on Clay Street Stormwater repairs, \$20K was spent on sidewalks throughout the City, \$21K was spent on a Ford Truck in the Right of Way Department. \$142K was spent replacing vehicles and equipment within the Public Works Department.
- During this fiscal year, the Electric Department spent \$156K on Line Extensions for the Asphalt Plant. \$60K was spent on 27kV Electric Reclosers. \$9K was spent on Electric GOAB Switches. Additional transformers were also purchased during the year for \$3K. \$42K was expended for other electric transmission improvements. \$606K was spent on the electric 4kV project.
- The Water Department continued the electronic meter replacement program and spent \$102K during the fiscal year. \$51K was spent on a Mini Hydraulic Excavator. \$9K was spent on the Interconnect Control Valve. \$4K was spent on the Water Main Replacement at US 17 and S.R. 16.
- The Wastewater Department expended \$533K for the Wastewater system improvements pre-construction phase and \$311K for the North Grid Reclaimed Water System. \$9K 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 \$166K for a 2018 Freightliner M2 106 Recycle Truck.
- The Stormwater Department expended \$613K for stormwater repairs on Citizen Street and \$15K for stormwater repairs on MLK Boulevard.
- \$11K was used to purchase new Neptune Data Collectors and a laptop 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 ⁽¹⁾—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's *near-term* financing requirements.

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 54 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 \$56.2 million or a 4.26% increase at the close of the fiscal year ended September 30, 2017. A portion of the City's net position, \$2,819,739, represents resources that are subject to external restrictions on how they may be used. Governmental activities had \$1,358,350 in restricted net position and the business-type activities had \$1,461,389 in restricted net position at September 30, 2017.

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

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

GOVERNMENT-WIDE STATEMENT

Statement of Net Position

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

	Statement of Net Position						Total % Change
	As of September 30, 2017 (In 000s)						
	Governmental Activities		Business-type Activities		Total Primary Government		
	2016	2017	2016	2017	2016	2017	
Current and Other Assets	\$ 4,159	\$ 4,121	\$ 14,013	\$ 15,070	\$ 18,172	\$ 19,191	5.61%
Capital Assets	<u>25,361</u>	<u>26,926</u>	<u>19,746</u>	<u>20,976</u>	<u>45,107</u>	<u>47,902</u>	6.20%
Total Assets	<u>\$ 29,520</u>	<u>\$ 31,047</u>	<u>\$ 33,759</u>	<u>\$ 36,046</u>	<u>\$ 63,279</u>	<u>\$ 67,093</u>	6.03%
Deferred Outflows	<u>\$ 1,549</u>	<u>\$ 1,324</u>	<u>\$ 435</u>	<u>\$ 439</u>	<u>\$ 1,984</u>	<u>\$ 1,763</u>	-11.14%
Current Liabilities	\$ 736	\$ 1,127	\$ 2,664	\$ 3,519	\$ 3,400	\$ 4,646	36.65%
Long-term Liabilities	<u>4,997</u>	<u>4,719</u>	<u>2,702</u>	<u>2,480</u>	<u>7,699</u>	<u>7,199</u>	-6.49%
Total Liabilities	<u>\$ 5,733</u>	<u>\$ 5,846</u>	<u>\$ 5,366</u>	<u>\$ 5,999</u>	<u>\$ 11,099</u>	<u>\$ 11,845</u>	6.72%
Deferred Inflows	<u>\$ 213</u>	<u>\$ 520</u>	<u>\$ 18</u>	<u>\$ 139</u>	<u>\$ 231</u>	<u>\$ 659</u>	185.28%
Net Position:							
Net Investment in Capital Assets	\$ 22,861	\$ 24,620	\$ 17,942	\$ 19,336	\$ 40,803	\$ 43,956	7.73%
Restricted	1,115	1,876	1,263	1,461	2,378	3,337	40.33%
Unrestricted	<u>1,147</u>	<u>(491)</u>	<u>9,605</u>	<u>9,550</u>	<u>10,752</u>	<u>9,059</u>	-15.75%
Total Net Position	<u>\$ 25,123</u>	<u>\$ 26,005</u>	<u>\$ 28,810</u>	<u>\$ 30,347</u>	<u>\$ 53,933</u>	<u>\$ 56,352</u>	<u>4.49%</u>

Normal Impacts

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

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

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

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

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

Normal Impacts (Concluded)

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

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

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

Statement of Activities

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

**Change in Net Position
As of September 30, 2017 (In 000s)**

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2016	2017	2016	2017	2016	2017	
<u>REVENUES</u>							
Charges for Services	\$ 1,176	\$ 1,253	\$ 16,647	\$ 16,603	\$ 17,823	17,856	.185%
Operating Grants and Contributions	446	1,039	0	0	446	1,018	128%
Capital Grants and Contributions	226	772	41	935	267	1,707	539%
General Revenues:							
Property Taxes	1,195	1,299	0	0	1,195	1,299	8.70%
State Revenue Sharing	214	211	0	0	214	211	-1.40%
Sales and Use Tax	376	414	0	0	376	414	10.11%
Discretionary Sales Surtax	804	888	0	0	804	888	10.45%
Investment Income	7	17	22	48	29	65	124%
Business and Utility Taxes	505	566	0	0	505	566	12.08%
Sale of Fixed Assets	0	0	0	0	0	0	0.00%
Other General Revenues	100	29	133	393	233	422	81.12%
Total Revenues	<u>\$ 5,049</u>	<u>\$ 6,488</u>	<u>\$ 16,843</u>	<u>\$ 17,979</u>	<u>\$ 21,892</u>	<u>\$ 24,467</u>	<u>11.76%</u>

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

	<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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	
<u>EXPENSES</u>							
Governmental							
Activities:							
General							
Government	\$ 1,516	\$ 2,068	\$ 0	\$ 0	\$ 1,516	\$ 2,068	36.41%
Public Safety	2,908	2,560	0	0	2,908	2,560	-11.97%
Transportation	1,303	1,280	0	0	1,303	1,280	-1.77%
Physical							
Environment	190	157	0	0	190	157	-17.37%
Culture and Recreation	419	441	0	0	419	441	5.25%
Interest on							
Long-term Debt	72	46	0	0	72	46	-36.11%
Business-type							
Activities:							
Electric	0	0	10,758	11,288	10,758	11,288	4.93%
Water	0	0	1,371	1,558	1,371	1,558	13.64%
Wastewater	0	0	1,686	1,829	1,686	1,829	8.48%
Stormwater	0	0	128	139	128	139	8.59%
Solid Waste	0	0	634	683	634	683	7.73%
Total Expenses	\$ 6,408	\$ 6,552	\$14,577	\$15,497	\$ 20,985	\$ 22,049	5.07%
Excess of Revenues							
Over Expenses	\$ (1,359)	\$ (64)	\$ 2,266	\$ 2,482	\$ 907	\$ 2,418	167%
Transfers	1,393	946	(1,393)	(946)	0	0	
NET INCREASE	\$ 34	\$ 882	\$ 873	\$ 1,536	\$ 907	\$ 2,418	167%

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 2017, investment income increased 124% 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 31.60% 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 8.68% for fiscal year 2017. 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, shared state revenues, operating grants and capital grants. General fund revenues, including transfers-in, increased from the previous year with an overall increase of 13.5%.

**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 6.75%, due mainly to an increase in stormwater and wastewater capital grants and contributions.

Expenses

The Governmental activities expenses increased by approximately 2.23%, primarily due to an increase in general government expenses.

The primary increase in the business-type activities is a result of an increase in contractual services for electric. The business-type activities expenses, excluding transfers, increased by 6.31%.

Proprietary Funds

The Utility Fund accounting for the Electric, Water, Wastewater, Stormwater, and Solid Waste activities had an increase in net position of \$873,026. Operating revenues decreased by \$44,841 and operating expenses increased by \$919,924. Utility fund operating expenses (excluding depreciation) increased by 6.07%.

Budgetary Highlights

The most significant budget adjustments were as follows:

General Fund

- The budget was increased by \$116,550 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 \$37,857 in Compensated Absences Reserve to fund employees' payouts in the Utility Funds for vacation and attendance incentive pay payouts.
- The Electric Utility Fund Budget was increased by \$313,843 due to increased Electric revenue.

Special Revenue Funds

- Increased Building Fund revenue of \$130,273 for unanticipated revenues and expenditures due to increased building permit activity for Magnolia West and Magnolia Phase VIII.

Capital Improvement Funds

- Increased Spring Park Capital Improvement Fund by \$588,122 to reflect unanticipated revenues and expenditures.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$47,901,935 invested in a variety of capital assets, as reflected in the following schedule, which represents a net increase (addition, deductions, and depreciation) of \$2,794,891 or 6.20% from the end of last year. Capital Asset Activity is further outlined in the Notes to Financial Statements, Note No. 4.

	Net of Depreciation					
	(In 000s)					
	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Land and Land Rights	\$ 8,014	\$ 8,016	\$ 227	\$ 227	\$ 8,241	\$ 8,243
Construction in Progress	939	0	80	925	1,019	925
Buildings and Plants	10,357	10,408	43,884	44,340	54,241	54,748
Improvements Other than Buildings	3,544	6,678	0	0	3,544	6,678
Equipment	2,807	2,994	0	0	2,807	2,994
Infrastructure	9,216	9,236	4,792	6,153	14,008	15,389
Less:						
Accumulated Depreciation	(9,517)	(10,406)	(29,237)	(30,669)	(38,754)	(41,075)
Total	<u>\$ 25,360</u>	<u>\$ 26,926</u>	<u>\$ 19,746</u>	<u>\$ 20,976</u>	<u>\$ 45,106</u>	<u>\$ 47,902</u>

The following reconciliation summarizes the change in Capital Assets.

	Change in Capital Assets					
	(In 000s)					
	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Beginning Balance, Net	\$ 25,174	\$ 25,361	\$ 19,577	\$ 19,746	\$ 44,751	\$ 45,107
Additions	1,102	5,548	1,884	3,196	2,986	8,744
Retirement						
Other	(177)	(3,094)	(421)	(534)	(598)	(3,628)
Depreciation	(739)	(889)	(1,294)	(1,432)	(2,033)	(2,321)
Ending Balance, Net	<u>\$ 25,360</u>	<u>\$ 26,926</u>	<u>\$ 19,746</u>	<u>\$ 20,976</u>	<u>\$ 45,106</u>	<u>\$ 47,902</u>

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

Capital Assets (Concluded)

This year's major additions were:

Governmental Activities:	<i>In (000s)</i>
Augusta Savage Library Building	\$ 30
Clay Street Stormwater Repairs	71
City Hall A/C Unit	5
Spring Park Project	2,128
Police Vehicles	4
Streets Vehicles	21
Building Dept. Permit Software	13
Sidewalks Throughout City	20
Public Works Vehicles & Equipment	142
Computer Equipment	16
Time Card Software	7
Garage Equipment	28
 Business-type Activities:	
Electric Magnolia 3 rd Feed Easement Survey	7
Electric Line Extension – Asphalt Plant	156
Electric Reclosers 27kV	60
Electric GOAB Switches	9
Electric 4kV Project	606
Water Meter Replacement	102
Water Main Replacement US 17 & S.R. 16	4
Water Mini Hydraulic Excavator	51
Wastewater Lift Station Pumps	9
Wastewater System Improvements Pre-Construction Phase	533
North Grid Reclaimed Water System	311
Sanitation Recycling Truck	166
Stormwater Citizen Street Project	613
Stormwater MLK Blvd. Project	15
Water Main Replacement US 17 & S.R. 16	4
Customer Service Meter Reader Neptune Data Collectors	9

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. 7.

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

	Totals	
	2017	2016
Governmental:		
Compensated Absences	\$ 540	\$ 500
Net OPEB Obligation	299	268
Sales Tax Revenue Note		
Series 2013	0	0
Series 2016A	1,334	1,470
Series 2016B	972	1,030
Net Pension Liability	1,935	2,072
Sub-Total – Governmental	5,080	5,340
Business-type:		
Utility Notes	1,108	1,331
Equipment Notes	533	474
Compensated Absences	354	330
Net OPEB Obligation	132	118
Net Pension Liability	1,007	1,045
Sub-Total – Business-Type	3,134	3,298
Total	\$ 8,214	\$ 8,638

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

These basic financial statements contain Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

**CITY OF GREEN COVE SPRINGS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Equity in pooled cash	\$ 157,503	\$ 6,364,720	\$ 6,522,223
Investments	1,538,643	4,436,715	5,975,358
Receivables, net	48,530	1,974,589	2,023,119
Internal balances	447,710	(447,710)	-
Due from other governments	1,128,720	821,412	1,950,132
Inventories	38,048	459,262	497,310
Prepays	104,677	-	104,677
Restricted assets:			
Equity in pooled cash	60,903	1,378,206	1,439,109
Investments	-	83,183	83,183
Net pension asset	596,484	-	596,484
Capital assets:			
Capital assets, not being depreciated	8,015,952	1,151,651	9,167,603
Other capital assets, net of depreciation	18,910,054	19,824,278	38,734,332
Total assets	<u>\$ 31,047,224</u>	<u>\$ 36,046,306</u>	<u>\$ 67,093,530</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 1,324,460</u>	<u>\$ 439,218</u>	<u>\$ 1,763,678</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 755,395	\$ 1,759,776	\$ 2,515,171
Customer deposits	-	670,334	670,334
Unearned revenue	-	431,351	431,351
Accrued interest payable	10,993	5,176	16,169
Noncurrent liabilities:			
Due within one year:			
Bonds, notes, and capital leases payable	199,000	546,561	745,561
Compensated absences	161,977	106,079	268,056
Due in more than one year:			
Bonds, notes, and capital leases payable	2,107,000	1,093,678	3,200,678
Compensated absences	377,947	247,517	625,464
Net OPEB obligation	298,911	131,823	430,734
Net pension liability	1,935,216	1,006,805	2,942,021
Total liabilities	<u>\$ 5,846,439</u>	<u>\$ 5,999,100</u>	<u>\$ 11,845,539</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 520,581</u>	<u>\$ 139,343</u>	<u>\$ 659,924</u>
NET POSITION			
Net investment in capital assets	\$ 24,620,006	\$ 19,335,690	\$ 43,955,696
Restricted for:			
Public safety	702,322	-	702,322
Pensions	596,484	-	596,484
Disaster	-	-	-
Debt service	70,379	83,463	153,842
Capital projects	507,038	-	507,038
System Improvements	-	1,377,926	1,377,926
Unrestricted	(491,565)	9,550,002	9,058,437
Total net position	<u>\$ 26,004,664</u>	<u>\$ 30,347,081</u>	<u>\$ 56,351,745</u>

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

**CITY OF GREEN COVE SPRINGS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,068,305	\$ 97,988	\$ 10,000	\$ -	\$ (1,960,317)	\$ -	\$ (1,960,317)
Public safety	2,560,071	1,072,459	102,304	-	(1,385,308)	-	(1,385,308)
Transportation	1,279,567	-	926,705	-	(352,862)	-	(352,862)
Physical environment	156,593	-	-	14,682	(141,911)	-	(141,911)
Culture and recreation	440,918	82,505	-	757,265	398,852	-	398,852
Interest on long-term debt	46,427	-	-	-	(46,427)	-	(46,427)
Total governmental activities	<u>6,551,881</u>	<u>1,252,952</u>	<u>1,039,009</u>	<u>771,947</u>	<u>(3,487,973)</u>	<u>-</u>	<u>(3,487,973)</u>
Business-type activities:							
Electric	11,287,800	12,336,002	-	-	-	1,048,202	1,048,202
Water	1,557,536	1,584,628	-	-	-	27,092	27,092
Sewer	1,828,511	1,870,851	-	439,586	-	481,926	481,926
Solid Waste	683,520	669,549	-	-	-	(13,971)	(13,971)
Stormwater	139,366	141,535	-	495,739	-	497,908	497,908
Total business-type activities	<u>15,496,733</u>	<u>16,602,565</u>	<u>-</u>	<u>935,325</u>	<u>-</u>	<u>2,041,157</u>	<u>2,041,157</u>
Total primary government	<u>\$ 22,048,614</u>	<u>\$ 17,855,517</u>	<u>\$ 1,039,009</u>	<u>\$ 1,707,272</u>	<u>(3,487,973)</u>	<u>2,041,157</u>	<u>(1,446,816)</u>
General revenues:							
Property taxes					1,299,092	-	1,299,092
Sales taxes					1,302,150	-	1,302,150
Public service taxes					366,690	-	366,690
Other taxes					35,390	-	35,390
Franchise and utility taxes					164,356	-	164,356
State revenue sharing					210,924	-	210,924
Other intergovernmental revenues					5,971	-	5,971
Investment earnings					16,533	48,565	65,098
Miscellaneous revenues					22,633	393,395	416,028
Transfers					945,944	(945,944)	-
Total general revenues and transfers					<u>4,369,683</u>	<u>(503,984)</u>	<u>3,865,699</u>
Change in net position					881,710	1,537,173	2,418,883
Net position - beginning					25,122,954	28,809,908	53,932,862
Net position - ending					<u>\$ 26,004,664</u>	<u>\$ 30,347,081</u>	<u>\$ 56,351,745</u>

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

**CITY OF GREEN COVE SPRINGS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General	Disaster Fund	Spring Park Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Equity in pooled cash and investments	\$ 362,847	\$ -	\$ 734,969	\$ 659,233	\$ 1,757,049
Accounts receivable, net	48,530	-	-	-	48,530
Due from other governments	599,198	529,522	-	-	1,128,720
Due from other funds	742,479	-	-	-	742,479
Inventories	38,048	-	-	-	38,048
Prepaid items	104,677	-	-	-	104,677
Total assets	<u>\$ 1,895,779</u>	<u>\$ 529,522</u>	<u>\$ 734,969</u>	<u>\$ 659,233</u>	<u>\$ 3,819,503</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 237,296	\$ 240,709	\$ 154,459	\$ 122,931	\$ 755,395
Due to other funds	-	294,769	-	-	294,769
Total liabilities	<u>237,296</u>	<u>535,478</u>	<u>154,459</u>	<u>122,931</u>	<u>1,050,164</u>
FUND BALANCES					
Nonspendable:					
Inventories	38,048	-	-	-	38,048
Prepaid items	104,677	-	-	-	104,677
Restricted for:					
Public safety	193,186	-	-	509,136	702,322
Debt service	60,904	-	20,468	-	81,372
Capital projects	507,038	-	-	-	507,038
Assigned to:					
Capital projects	-	-	560,042	27,166	587,208
Subsequent year's budget	754,630	-	-	-	754,630
Unassigned	-	(5,956)	-	-	(5,956)
Total fund balances	<u>1,658,483</u>	<u>(5,956)</u>	<u>580,510</u>	<u>536,302</u>	<u>2,769,339</u>
Total liabilities and fund balances	<u>\$ 1,895,779</u>	<u>\$ 529,522</u>	<u>\$ 734,969</u>	<u>\$ 659,233</u>	<u>\$ 3,819,503</u>

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

**CITY OF GREEN COVE SPRINGS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Fund balances - total governmental funds \$ 2,769,339

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

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

Total governmental capital assets	37,332,493	
Less: accumulated depreciation	<u>(10,406,487)</u>	26,926,006

On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's net pension liability (asset) of the defined benefit pension plans is reported as a noncurrent liability (asset). Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(1,935,216)	
Net pension asset	596,484	
Deferred outflows related to pensions	1,324,460	
Deferred inflows related to pensions	<u>(520,581)</u>	(534,853)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:

Bonds and notes payable	(2,306,000)	
Accrued interest payable	(10,993)	
Net OPEB obligation	(298,911)	
Compensated absences	<u>(539,924)</u>	(3,155,828)

Net position of governmental activities \$ 26,004,664

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

CITY OF GREEN COVE SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Disaster Fund	Spring Park Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 3,045,480	\$ -	\$ -	\$ -	\$ 3,045,480
Permits and fees	6,424	-	-	385,505	391,929
Intergovernmental	1,551,601	529,522	-	-	2,081,123
Charges for services	810,382	-	-	-	810,382
Fines and forfeitures	751,410	-	-	12,856	764,266
Investment income	16,533	-	-	-	16,533
Miscellaneous	25,588	961	-	13,614	40,163
	<u>6,207,418</u>	<u>530,483</u>	<u>-</u>	<u>411,975</u>	<u>7,149,876</u>
Expenditures					
Current:					
General government	1,300,930	737,939	-	256,894	2,295,763
Public safety	2,463,548	-	-	422	2,463,970
Transportation	916,531	-	-	-	916,531
Physical environment	140,443	-	-	-	140,443
Culture and recreation	308,996	-	-	-	308,996
Capital outlay	343,393	-	2,127,971	14,532	2,485,896
Debt service:					
Principal retirement	-	-	58,000	136,000	194,000
Interest and fiscal charges	-	-	23,376	23,939	47,315
Total expenditures	<u>5,473,841</u>	<u>737,939</u>	<u>2,209,347</u>	<u>431,787</u>	<u>8,852,914</u>
Excess (deficiency) of revenues over expenditures	<u>733,577</u>	<u>(207,456)</u>	<u>(2,209,347)</u>	<u>(19,812)</u>	<u>(1,703,038)</u>
Other financing sources (uses)					
Transfers in	997,277	201,500	2,132,000	159,939	3,490,716
Transfers out	<u>(2,544,772)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,544,772)</u>
Total other financing sources (uses)	<u>(1,547,495)</u>	<u>201,500</u>	<u>2,132,000</u>	<u>159,939</u>	<u>945,944</u>
Net change in fund balances	<u>(813,918)</u>	<u>(5,956)</u>	<u>(77,347)</u>	<u>140,127</u>	<u>(757,094)</u>
Fund balances, beginning of year	2,472,401	-	657,857	396,175	3,526,433
Fund balances, end of year	<u>\$ 1,658,483</u>	<u>\$ (5,956)</u>	<u>\$ 580,510</u>	<u>\$ 536,302</u>	<u>\$ 2,769,339</u>

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

**CITY OF GREEN COVE SPRINGS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balances - total governmental funds	\$ (757,094)
Differences in amounts reported for governmental activities in the statement of activities are:	
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.	
Capital outlay expenditures	2,485,896
Depreciation expense	(920,494)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Principal repayment of general long-term debt	194,000
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability (asset). Also included in pension expense in the Statement of Activities are amounts required to be amortized.	
Change in net pension liability (asset) and deferred inflows/outflows related to pensions	(50,933)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:	
Change in accrued interest on long-term debt	888
Change in compensated absences liability	(39,394)
Change in net OPEB obligation	(31,159)
Change in net position of governmental activities	\$ 881,710

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

CITY OF GREEN COVE SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget -
				(Negative)
REVENUES				
Taxes	\$ 2,911,963	\$ 2,911,963	\$ 3,045,480	\$ 133,517
Permits and fees	15,000	15,000	6,424	(8,576)
Intergovernmental	2,693,719	2,723,411	1,551,601	(1,171,810)
Charges for services	779,014	779,014	810,382	31,368
Fines and forfeitures	531,880	531,880	751,410	219,530
Investment income	5,000	5,000	16,533	11,533
Miscellaneous	24,298	24,298	25,588	1,290
Total revenues	<u>6,960,874</u>	<u>6,990,566</u>	<u>6,207,418</u>	<u>(783,148)</u>
EXPENDITURES				
Current:				
General government	1,540,152	1,550,927	1,300,930	249,997
Public safety	2,496,917	2,612,284	2,463,548	148,736
Transportation	1,369,375	1,387,667	916,531	471,136
Physical environment	185,446	186,489	140,443	46,046
Culture and recreation	390,381	391,146	308,996	82,150
Capital outlay	1,393,466	1,492,858	343,393	1,149,465
Total expenditures	<u>7,375,737</u>	<u>7,621,371</u>	<u>5,473,841</u>	<u>2,147,530</u>
Excess (deficiency) of revenues over				
(under) expenditures	<u>(414,863)</u>	<u>(630,805)</u>	<u>733,577</u>	<u>1,364,382</u>
Other financing sources (uses)				
Transfers in	997,277	997,277	997,277	-
Transfers out	(2,091,500)	(2,712,700)	(2,544,772)	167,928
Proceeds from sale of capital assets	45,000	45,000	-	(45,000)
Total other financing sources (uses)	<u>(1,049,223)</u>	<u>(1,670,423)</u>	<u>(1,547,495)</u>	<u>122,928</u>
Net change in fund balances	<u>(1,464,086)</u>	<u>(2,301,228)</u>	<u>(813,918)</u>	<u>1,487,310</u>
Fund balances, beginning of year	2,472,401	2,472,401	2,472,401	-
Fund balances, end of year	<u>\$ 1,008,315</u>	<u>\$ 171,173</u>	<u>\$ 1,658,483</u>	<u>\$ 1,487,310</u>

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

CITY OF GREEN COVE SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Final Budget - Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ -	\$ 597,500	\$ 529,522	\$ (67,978)
Miscellaneous	-	1,000	961	(39)
Total revenues	<u>-</u>	<u>598,500</u>	<u>530,483</u>	<u>(68,017)</u>
EXPENDITURES				
Current:				
General government	-	800,000	737,939	62,061
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(201,500)</u>	<u>(207,456)</u>	<u>(5,956)</u>
Other financing sources (uses)				
Transfers in	-	201,500	201,500	-
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(5,956)</u>	<u>(5,956)</u>
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,956)</u>	<u>\$ (5,956)</u>

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

**CITY OF GREEN COVE SPRINGS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

	Business-type Activities - Enterprise Funds						Business-type Activities - Internal Service Funds
	Major Funds				Nonmajor Fund	Total	
	Electric Utility	Water Utility	Sewer Utility	Solid Waste Utility	Stormwater Utility		
ASSETS							
Current assets:							
Equity in pooled cash	\$ 4,538,395	\$ 1,197,635	\$ 541,896	\$ 68,661	\$ -	\$ 6,346,587	\$ 18,133
Investments	4,145,679	291,036	-	-	-	4,436,715	-
Restricted cash	-	453,431	924,775	-	-	1,378,206	-
Restricted investments	68,808	14,375	-	-	-	83,183	-
Accounts receivable, net	1,491,101	189,984	210,222	67,723	15,559	1,974,589	-
Due from other governments	-	-	325,666	-	495,746	821,412	-
Inventories	398,716	60,028	518	-	-	459,262	-
Total current assets	<u>10,642,699</u>	<u>2,206,489</u>	<u>2,003,077</u>	<u>136,384</u>	<u>511,305</u>	<u>15,499,954</u>	<u>18,133</u>
Noncurrent assets:							
Capital assets:							
Nondepreciable capital assets	-	147,670	1,003,981	-	-	1,151,651	-
Depreciable capital assets, net	8,557,543	6,259,477	3,807,075	502,509	645,256	19,771,860	52,418
Total noncurrent assets	<u>8,557,543</u>	<u>6,407,147</u>	<u>4,811,056</u>	<u>502,509</u>	<u>645,256</u>	<u>20,923,511</u>	<u>52,418</u>
Total assets	<u>\$ 19,200,242</u>	<u>\$ 8,613,636</u>	<u>\$ 6,814,133</u>	<u>\$ 638,893</u>	<u>\$ 1,156,561</u>	<u>\$ 36,423,465</u>	<u>\$ 70,551</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows related to pensions	<u>\$ -</u>	<u>\$ 128,826</u>	<u>\$ 127,697</u>	<u>\$ 91,979</u>	<u>\$ 8,220</u>	<u>\$ 356,722</u>	<u>\$ 82,496</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 1,150,175	\$ 48,717	\$ 529,830	\$ 19,960	\$ 2,853	\$ 1,751,535	\$ 8,241
Deposits	565,762	42,475	37,900	24,197	-	670,334	-
Unearned revenue	431,351	-	-	-	-	431,351	-
Due to other funds	-	-	-	-	447,710	447,710	-
Compensated absences	4,111	30,924	30,924	20,540	4,305	90,804	15,275
Payable from restricted assets:							
Capital leases payable - current	55,166	-	-	70,891	-	126,057	-
Current maturities on long-term debt	263,269	155,372	1,863	-	-	420,504	-
Accrued interest payable	3,576	-	-	1,600	-	5,176	-
Total current liabilities	<u>2,473,410</u>	<u>277,488</u>	<u>600,517</u>	<u>137,188</u>	<u>454,868</u>	<u>3,943,471</u>	<u>23,516</u>
Noncurrent liabilities:							
Bonds, notes, and capital leases payable, net	339,243	329,047	222,795	202,593	-	1,093,678	-
Compensated absences	9,593	72,155	72,155	47,928	10,045	211,876	35,641
Net OPEB obligation	4,594	29,273	28,960	32,855	8,862	104,544	27,279
Net pension liability	-	295,302	292,717	210,839	18,843	817,701	189,104
Total noncurrent liabilities	<u>353,430</u>	<u>725,777</u>	<u>616,627</u>	<u>494,215</u>	<u>37,750</u>	<u>2,227,799</u>	<u>252,024</u>
Total liabilities	<u>\$ 2,826,840</u>	<u>\$ 1,003,265</u>	<u>\$ 1,217,144</u>	<u>\$ 631,403</u>	<u>\$ 492,618</u>	<u>\$ 6,171,270</u>	<u>\$ 275,540</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to pensions	<u>\$ -</u>	<u>\$ 40,870</u>	<u>\$ 40,512</u>	<u>\$ 29,180</u>	<u>\$ 2,608</u>	<u>\$ 113,170</u>	<u>\$ 26,173</u>
NET POSITION							
Net investment in capital assets	\$ 7,899,865	\$ 5,922,728	\$ 4,586,398	\$ 229,025	\$ 645,256	\$ 19,283,272	\$ 52,418
Restricted for debt service	68,808	14,375	280	-	-	83,463	-
Restricted for system improvements	-	453,431	924,495	-	-	1,377,926	-
Unrestricted	8,404,729	1,307,793	173,001	(158,736)	24,299	9,751,086	(201,084)
Total net position	<u>\$ 16,373,402</u>	<u>\$ 7,698,327</u>	<u>\$ 5,684,174</u>	<u>\$ 70,289</u>	<u>\$ 669,555</u>	<u>\$ 30,495,747</u>	<u>\$ (148,666)</u>
Cumulative adjustment to reflect consolidation of internal service fund activities related to enterprise fund						(148,666)	
Net position, business-type activities						<u>\$ 30,347,081</u>	

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

CITY OF GREEN COVE SPRINGS
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds					Total	Business-type Activities - Internal Service Funds
	Major Funds				Nonmajor Fund		
	Electric Utility	Water Utility	Sewer Utility	Solid Waste Utility	Stormwater Utility		
Operating revenues							
Charges for services	\$ 12,251,113	\$ 1,573,724	\$ 1,858,138	\$ 664,559	\$ 141,535	\$ 16,489,069	\$ 358,509
Other revenues	84,889	10,904	12,713	4,990	-	113,496	-
Total operating revenues	<u>12,336,002</u>	<u>1,584,628</u>	<u>1,870,851</u>	<u>669,549</u>	<u>141,535</u>	<u>16,602,565</u>	<u>358,509</u>
Operating expenses							
Electric power expense	8,841,703	-	-	-	-	8,841,703	-
Personnel services	57,684	506,869	498,178	361,379	81,998	1,506,108	291,710
Billing and administrative	434,345	218,402	249,415	103,576	-	1,005,738	-
Contractual services	1,095,904	50,280	41,895	32,200	8,798	1,229,077	26,085
Utilities	8,920	79,788	158,330	6,174	-	253,212	-
Repairs and Maintenance	21,381	141,216	223,870	14,563	10,038	411,068	1,697
Materials and supplies	172,854	64,710	183,191	58,563	7,269	486,587	11,699
Insurance	22,510	17,342	-	4,944	-	44,796	906
Depreciation	603,538	456,006	471,006	93,015	31,263	1,654,828	14,292
Total operating expenses	<u>11,258,839</u>	<u>1,534,613</u>	<u>1,825,885</u>	<u>674,414</u>	<u>139,366</u>	<u>15,433,117</u>	<u>346,389</u>
Operating income (loss)	<u>1,077,163</u>	<u>50,015</u>	<u>44,966</u>	<u>(4,865)</u>	<u>2,169</u>	<u>1,169,448</u>	<u>12,120</u>
Nonoperating revenues (expenses)							
Interest earnings	33,963	6,904	4,528	3,170	-	48,565	-
Miscellaneous	334,830	46,445	-	-	-	381,275	-
Interest expense	(28,961)	(22,923)	(2,626)	(9,106)	-	(63,616)	-
Total nonoperating revenues (expenses)	<u>339,832</u>	<u>30,426</u>	<u>1,902</u>	<u>(5,936)</u>	<u>-</u>	<u>366,224</u>	<u>-</u>
Income (loss) before contributions and transfers	<u>1,416,995</u>	<u>80,441</u>	<u>46,868</u>	<u>(10,801)</u>	<u>2,169</u>	<u>1,535,672</u>	<u>12,120</u>
Capital grants	-	-	439,586	-	495,739	935,325	-
Transfers in	-	-	-	-	131,633	131,633	-
Transfers out	(930,300)	(65,638)	(65,639)	(16,000)	-	(1,077,577)	-
Change in net position	<u>486,695</u>	<u>14,803</u>	<u>420,815</u>	<u>(26,801)</u>	<u>629,541</u>	<u>1,525,053</u>	<u>12,120</u>
Net position, beginning of year	15,886,707	7,683,524	5,263,359	97,090	40,014	28,970,694	(160,786)
Net position, end of year	<u>\$ 16,373,402</u>	<u>\$ 7,698,327</u>	<u>\$ 5,684,174</u>	<u>\$ 70,289</u>	<u>\$ 669,555</u>	<u>\$ 30,495,747</u>	<u>\$ (148,666)</u>
Change in proprietary funds net position						\$ 1,525,053	
Adjustment to reflect consolidation of internal service fund activities related to enterprise funds						12,120	
Change in net position of business-type activities						<u>\$ 1,537,173</u>	

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

**CITY OF GREEN COVE SPRINGS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Business-type Activities - Enterprise Funds						Business-type Activities - Internal Service Funds
	Major Funds				Nonmajor Fund		
	Electric Utility	Water Utility	Sewer Utility	Solid Waste Utility	Stormwater Utility	Total	
Cash flows from operating activities							
Cash received from customers	\$ 12,587,865	\$ 1,584,868	\$ 1,846,898	\$ 672,341	\$ 156,766	\$ 16,848,738	\$ 358,509
Cash paid to employees	(491,847)	(682,167)	(706,992)	(437,470)	(81,036)	(2,399,512)	(286,477)
Cash paid to suppliers	(10,267,812)	(339,630)	(112,281)	(108,086)	(25,572)	(10,853,381)	(41,647)
Other receipts	334,830	46,445	-	-	-	381,275	-
Net cash provided by (used in)							
Personnel services	2,163,036	609,516	1,027,625	126,785	50,158	3,977,120	30,385
Cash flows from noncapital financing activities							
Transfers from other funds	-	-	-	-	131,633	131,633	-
Transfers to other funds	(930,300)	(65,638)	(65,639)	(16,000)	-	(1,077,577)	-
Interfund loans	-	-	-	-	445,581	445,581	(1,311)
Net cash provided by (used in)							
noncapital financing activities	(930,300)	(65,638)	(65,639)	(16,000)	577,214	(500,363)	(1,311)
Cash flows from capital and related financing activities							
Acquisition and construction of capital assets	(1,075,765)	(165,138)	(853,505)	(165,887)	(627,372)	(2,887,667)	(10,941)
Capital grants	-	-	113,920	-	-	113,920	-
Principal payments of long-term debt	(307,352)	-	-	-	-	(307,352)	-
Proceeds from issuance of long-term debt	-	-	180,652	111,902	-	292,554	-
Interest paid	(31,241)	(172,496)	(2,626)	(7,506)	-	(213,869)	-
Net cash provided by (used in) capital and related financing activities	(1,414,358)	(337,634)	(561,559)	(61,491)	(627,372)	(3,002,414)	(10,941)
Cash flows from investing activities							
Interest received	33,963	6,904	4,528	3,170	-	48,565	-
Purchases of investments	(45,284)	(3,281)	-	-	-	(48,565)	-
Net cash provided by (used in) investing activities	(11,321)	3,623	4,528	3,170	-	-	-
Net change in cash and cash equivalents	(192,943)	209,867	404,955	52,464	-	474,343	18,133
Cash and cash equivalents, beginning of year	4,731,338	1,441,199	1,061,716	16,197	-	7,250,450	-
Cash and cash equivalents, end of year	<u>\$ 4,538,395</u>	<u>\$ 1,651,066</u>	<u>\$ 1,466,671</u>	<u>\$ 68,661</u>	<u>\$ -</u>	<u>\$ 7,724,793</u>	<u>\$ 18,133</u>
Cash and cash equivalents classified as:							
Unrestricted	\$ 4,538,395	\$ 1,197,635	\$ 541,896	\$ 68,661	\$ -	\$ 6,346,587	\$ 18,133
Restricted	-	453,431	924,775	-	-	1,378,206	-
Total cash and cash equivalents	<u>\$ 4,538,395</u>	<u>\$ 1,651,066</u>	<u>\$ 1,466,671</u>	<u>\$ 68,661</u>	<u>\$ -</u>	<u>\$ 7,724,793</u>	<u>\$ 18,133</u>
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 1,077,163	\$ 50,015	\$ 44,966	\$ (4,865)	\$ 2,169	\$ 1,169,448	\$ 12,120
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	603,538	456,006	471,006	93,015	31,263	1,654,828	14,292
Nonoperating revenues (expenses)	334,830	46,445	-	-	-	381,275	-
Changes in assets and liabilities:							
Accounts receivable	90,823	240	(29,003)	(4,955)	15,238	72,343	-
Due from other governments	-	-	-	-	(7)	(7)	-
Inventories	(189,695)	(22,617)	528	-	-	(211,784)	-
Prepaid items	-	-	-	-	-	-	-
Accounts payable and accrued liabilities	85,155	36,323	494,477	8,358	533	624,846	(1,260)
Deposits	5,692	-	5,050	7,747	-	18,489	-
Unearned revenue	155,348	-	-	-	-	155,348	-
Compensated absences	(314)	11,574	11,574	(1,126)	163	21,871	1,698
Net pension liability	-	27,500	25,309	25,834	132	78,775	843
Net OPEB obligation	496	4,030	3,718	2,777	667	11,688	2,692
Net cash provided by (used in) operating activities	<u>\$ 2,163,036</u>	<u>\$ 609,516</u>	<u>\$ 1,027,625</u>	<u>\$ 126,785</u>	<u>\$ 50,158</u>	<u>\$ 3,977,120</u>	<u>\$ 30,385</u>

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

**CITY OF GREEN COVE SPRINGS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017**

	Pension Trust Fund
ASSETS	
Cash and cash equivalents with trustee	\$ 19,085
Investments, at fair value	
Pooled Funds – Fixed Income	749,069
Pooled Funds – Fixed Income Funds	1,102,134
Pooled Funds – Equities	2,900,853
Total investments	4,752,056
Total assets	\$ 4,771,141
NET POSITION	
Held in trust for pension benefits	\$ 4,771,141

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

**CITY OF GREEN COVE SPRINGS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 181,998
Members	9,860
State	93,609
Total contributions	285,467
Investment Income:	
Net appreciation (depreciation) in fair value of investments	545,313
Total additions	830,780
Deductions	
Member benefits	19,348
Administration fees	15,546
Total deductions	34,894
Change in net position	795,886
Net position restricted for pensions, beginning of year	3,975,255
Net position restricted for pensions, end of year	\$ 4,771,141

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

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:**

The financial statements of the City of Green Cove Springs (the City), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

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

As required by U.S. generally accepted accounting principles, the accompanying financial statements present the City as a primary government. Component units, if any, would also be presented. Component units are entities for which a primary government is considered to be financially accountable. The City has no component units.

(b) **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.

(c) **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.

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

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

The city reports the following major governmental funds:

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

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

Disaster Fund—a special revenue fund, used to account for the revenues and expenditures related to Hurricane Matthew and Hurricane Irma.

Spring Park Capital Improvement Fund—a capital project fund, used to account for the capital improvements to Spring Park.

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.

(e) **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 related cash flows.

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

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

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.

(f) **Fund balance**—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.

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.

(g) **Fund balance flow assumption**—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.

(h) **Deposits and investments**—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. 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.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(i) **Accounts receivable**—Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued by the City at September 30th, to recognize the sales revenues earned between the last meter reading and bill dates in mid-September through the end of the fiscal year.

(j) **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.

(k) **Capital assets**—Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at acquisition 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:

Assets	Years
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	5 – 35 years
Infrastructure	20 - 50

For its business-type activities, the City's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2017.

(l) **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.

(m) **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.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Deferred inflows and outflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category is deferred amounts related to pension, as discussed further in Note (8).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is deferred inflows of resources related to pensions, as discussed further in Note (8).

(o) **Property taxes**—The Clay County Tax Collector bills and collects property taxes for the City. At September 30, 2017, 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

(p) **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.

(q) **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.

(r) **Use of estimates**—The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make various estimates. Actual results could differ from those estimates.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Deposits and Investments:**

(a) **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*.

(b) **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.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(3) **Deposits and 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.

The City’s investments consisted of the following at September 30, 2017:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>
Florida PRIME	\$ 6,058,541	51 days	AAAM(S&P)

Municipal Police Officers’ Retirement Trust Fund Investment Portfolio

The Municipal Police Officers’ Retirement Trust Fund has adopted an investment policy which authorizes the pension manager to invest in equities, fixed income investments, money market funds, and pooled funds.

The Plan is subject to using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The following chart shows the Municipal Police Officers’ Retirement Trust Fund cash and investment accounts by investment portfolios and their respective maturities (in years) and fair value measurement levels:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating (Fitch)</u>	<u>Fair Value Hierarchy Classification</u>
Pooled Funds – Fixed Income	\$ 749,069	6.10	AAf/S4	Level 2
Pooled Funds – Fixed Income Funds	1,102,134	7.40	NR	Level 3
Pooled Funds – Equities	2,900,853	N/A	NR	Level 2
Cash	19,085	N/A	NR	N/A
Total Portfolio	<u>\$ 4,771,141</u>			

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(3) **Deposits and Investments:** (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2017, all investments were held in cash or other assets that could be liquidated at any time.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2017.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Police Pension trust fund policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company. At September 30, 2017, the investment portfolios met these limitations.

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At September 30, 2017, the investment portfolio had no foreign investments.

(4) **Interfund Balances and Transfers:**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. Individual fund interfund receivables and payables were comprised amounts due to the general fund of \$294,769 and \$447,710 from the disaster and stormwater utility funds, respectively.

The following is a summary of interfund transfers made during the 2017 fiscal year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 997,277	\$ (2,544,772)
Nonmajor Governmental Funds	2,493,439	-
Electric Fund	-	(930,300)
Water Fund	-	(65,638)
Sewer Fund	-	(65,639)
Solid Waste Fund	-	(16,000)
Stormwater Fund	131,633	-
Totals	<u>\$ 3,622,349</u>	<u>\$ (3,622,349)</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 for the services provided to such funds by the general fund.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(5) **Receivables:**

Receivables as of year-end include the applicable allowances for uncollectible accounts. The allowance for uncollectible accounts in the electric utility fund was \$80,000. No other funds had an allowance for uncollectible accounts recorded at September 30, 2017.

Approximately \$530,000 of the intergovernmental receivable amounts relate to Federal and State reimbursements related to Hurricane Matthew and Hurricane Irma, both of which impacted the City in fiscal year 2017. These amounts reflect management's best estimate of recoveries based on costs incurred and approved project worksheets, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

(6) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2017, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 8,014,273	\$ 1,679	\$ -	\$ 8,015,952
Construction in progress	939,117	2,123,471	(3,062,588)	-
Total capital assets, not being depreciated	<u>8,953,390</u>	<u>2,125,150</u>	<u>(3,062,588)</u>	<u>8,015,952</u>
Capital assets, being depreciated –				
Buildings	10,357,414	50,539	-	10,407,953
Improvements	3,544,261	3,133,486	-	6,677,747
Machinery and equipment	2,806,822	218,898	(31,341)	2,994,379
Infrastructure	9,216,051	20,411	-	9,236,462
Total capital assets, being depreciated	<u>25,924,548</u>	<u>3,423,334</u>	<u>(31,341)</u>	<u>29,316,541</u>
Less accumulated depreciation for–				
Total accumulated depreciation	<u>(9,517,334)</u>	<u>(920,494)</u>	<u>31,341</u>	<u>(10,406,487)</u>
Total capital assets, being depreciated, net	<u>16,407,214</u>	<u>2,502,840</u>	<u>-</u>	<u>18,910,054</u>
Governmental activities capital assets, net	<u>\$ 25,360,604</u>	<u>\$ 4,627,990</u>	<u>\$ (3,062,588)</u>	<u>\$ 26,926,006</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 227,136	\$ -	\$ -	\$ 227,136
Construction in progress	80,000	844,515	-	924,515
Total capital assets, not being depreciated	<u>307,136</u>	<u>844,515</u>	<u>-</u>	<u>1,151,651</u>
Capital assets, being depreciated –				
Electric Transmission and Distribution Plant	18,960,843	785,820	(262,016)	19,484,647
Water/Wastewater Treatment Plant	9,869,398	64,940	(72,976)	9,861,362
Water/Wastewater Pumping and Collection Plant	15,053,976	12,671	(72,498)	14,994,149
General Plant and Equipment	4,848,027	1,431,783	(126,603)	6,153,207
Total capital assets, being depreciated	<u>48,732,244</u>	<u>2,295,214</u>	<u>(534,093)</u>	<u>50,493,365</u>
Less accumulated depreciation for –				
Total accumulated depreciation	<u>(29,237,071)</u>	<u>(1,669,120)</u>	<u>237,104</u>	<u>(30,669,087)</u>
Total capital assets, being depreciated, net	<u>19,495,173</u>	<u>626,094</u>	<u>(296,989)</u>	<u>19,824,278</u>
Business-type activities capital assets, net	<u>\$ 19,802,309</u>	<u>\$ 1,470,609</u>	<u>\$ (296,989)</u>	<u>\$ 20,975,929</u>

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 359,285
Public safety	80,101
Transportation	353,036
Physical environment	6,150
Culture and recreation	121,922
Total depreciation expense - governmental activities	\$ 920,494
Business-type activities:	
Electric	\$ 603,538
Water	456,006
Wastewater	471,006
Solid Waste	93,015
Internal Service	14,292
Stormwater	31,263
Total depreciation expense - business-type activities	\$ 1,669,120

(7) **Long-Term Obligations:**

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
Sales Tax Revenue Note					
Series 2016A	\$ 1,470,000	\$ -	\$ (136,000)	\$ 1,334,000	\$ 139,000
Series 2016B	1,030,000	-	(58,000)	972,000	60,000
Total bonds and notes payable	2,500,000	-	(194,000)	2,306,000	199,000
Compensated absences	500,530	191,384	(151,990)	539,924	161,977
Governmental activities –	\$ 3,000,530	\$ 191,384	\$ (345,990)	\$ 2,845,924	\$ 360,977
Total long-term liabilities	\$ 3,000,530	\$ 191,384	\$ (345,990)	\$ 2,845,924	\$ 360,977
Business-type activities:					
Bonds and notes payable	\$ 1,330,523	\$ 180,880	\$ (403,868)	\$ 1,107,535	\$ 420,504
Capital leases payable	474,087	150,911	(92,294)	532,704	126,057
Compensated absences	330,027	113,462	(89,893)	353,596	106,079
Business-type activities –	\$ 2,134,637	\$ 445,253	\$ (586,055)	\$ 1,993,835	\$ 652,640
Total long-term liabilities	\$ 2,134,637	\$ 445,253	\$ (586,055)	\$ 1,993,835	\$ 652,640

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(7) **Long-Term Obligations:** (Continued)

Bonds and notes payable in the City’s business-type activities at September 30, 2017, were comprised of the following obligations:

\$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.	\$ 398,458
\$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.	484,419
\$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.	43,778
\$180,880 - 2017 Wastewater SRF Loan, for improvements to the City’s wastewater system. The loan is payable in semi-annual installments of \$21,914 (including interest of 0.66%) through May 15, 2023. This loan is payable from and secured by the net revenues of the City’s utility system.	180,880
\$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.	122,573
\$343,475 - 2016 Equipment Capital Leases, for the purchase of two electric utility trucks. The leases are payable in monthly installments of \$2,346 (including interest of 3.40-3.45%) beginning March 1, 2016 through February 1, 2022.	259,220
\$150,911 - 2017 Equipment Capital Lease, for the purchase of a recycling truck. The lease is payable in semiannual installments of \$18,712 (including interest of 4.50%) beginning July 24, 2017 through January 24, 2022.	150,911
Total bonds and notes payable – business-type activities	<u>\$ 1,640,239</u>

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(7) **Long-Term Obligations:** (Continued)

Bonds and notes payable in the City's governmental activities at September 30, 2017, were comprised of the following obligations:

\$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 \$1,439,616.	\$ 1,334,000
\$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 \$1,138,421.	972,000
Total bonds and notes payable – governmental activities	\$ 2,306,000

The annual requirements to amortize notes payable as of September 30, 2017, are as follows:

Governmental Activities

Year Ending September 30,	Principal	Interest	Total
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	213,000	27,796	240,796
2023-2027	967,000	79,591	1,046,591
2028-2032	309,000	15,829	324,829
Total	\$ 2,306,000	\$ 272,038	\$ 2,578,038

Proprietary Funds

Year Ending September 30,	Principal	Interest	Total
2018	\$ 546,560	\$ 47,585	\$ 594,145
2019	469,375	30,982	500,357
2020	347,394	15,348	362,742
2021	141,915	5,551	147,466
2022	90,336	20,529	110,865
2023-2027	21,513	3,380	24,893
2028-2032	12,246	2,027	14,273
2033-2037	10,900	566	11,466
Total	\$ 1,640,239	\$ 125,968	\$ 1,766,207

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) Employees' Retirement Plans and Other-Postemployment Benefits:

A. Florida Retirement System

Plan Description and Administration

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

In addition, all regular employees of the City are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) Employees' Retirement Plans and Other-Postemployment Benefits: (Continued)

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

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

Financial Statements

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

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

Contributions

The City participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Employee Contribution Rate	Employer Contribution Rate
Regular Class	3.00%	7.52%
Elected Officials	3.00%	45.50%
Senior Management	3.00%	22.71%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

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

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City Contributions – FRS	\$ 207,762	\$ 191,220	\$ 206,110
City Contributions – HIS	38,681	38,076	43,243
Employee Contributions – FRS	66,709	51,761	55,791

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

At September 30, 2017, the City reported a liability of \$2,942,021 for its proportionate share of the net pension liability, \$2,172,731 related to FRS and \$769,290 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the City's FRS proportion was 0.007345438% and 0.008451778%, respectively. At June 30, 2017 and June 30, 2016, the City's HIS proportion was 0.007194699% and 0.008436522%, respectively. For the year ended September 30, 2017, the City's recognized pension expense of \$378,640 from FRS and \$44,941 from HIS, for a grand total of \$423,581.

Deferred outflows/inflows related to pensions:

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 199,404	\$ (12,036)	\$ -	\$ (1,602)
Changes of assumptions	730,191	-	108,136	(66,521)
Net difference between projected and actual investment earnings	-	(53,846)	427	-
Change in City's proportionate share	132,127	(144,665)	55,021	(128,508)
Contributions subsequent to measurement date	49,136	-	9,015	-
	<u>\$ 1,110,858</u>	<u>\$ (210,547)</u>	<u>\$ 172,599</u>	<u>\$ (196,631)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 135,784
2019	322,612
2020	216,242
2021	312,541
2022	119,225
Thereafter	(8,276)
Total	<u>\$ 818,128</u>

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

Actuarial assumptions:

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

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

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

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

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	7.10%	\$ 3,932,513	\$ 2,172,731	\$ 711,710
HIS	3.58%	877,862	769,290	678,856

B. Municipal Police Officers' Retirement Trust Fund

Plan Description and Administration

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

Benefits Provided and Employees Covered

The Plan provides retirement, disability and death benefits to plan participants and beneficiaries. No cost of living adjustments are provided to retirees and beneficiaries. The Plan's Board of Trustees has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of every other year. Current membership in the Plan was composed of the following at October 1, 2017:

Inactive participants	8
Active participants	18
Retired participants	2
Total current membership	28

Employees vest with 100% full benefits after 6 years of service. Employees are eligible for normal retirement after attaining age 55 with 6 years of credited service, or 25 years of credited service, regardless of age. The Plan also provides for disability, retirement, and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. Benefits at normal retirement are equal to 3.00% of average earnings (average of the highest five years of pensionable wages out of the last 10 years) time years of service. The minimum benefit for duty disability is 65% of final average compensation. The minimum benefit for nonduty disability is 25% of final average compensation.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) Employees' Retirement Plans and Other-Postemployment Benefits: (Continued)

Financial Statements

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Separate financial statements have not been prepared for the Plan.

Contributions

The participant contribution rates for the Plan are established by and may be amended by the City Council. Employees covered under the plan are required to make contributions of 1% of their compensation. The City's annual required contribution for the current year was determined as part of the October 1, 2017 actuarial valuations. The City is required under the Florida Protection of Public Employee Retirement Benefits Act to contribute a payment which represents annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods as prescribed by law. The City's contributions (and if applicable, any liquidations of a net pension liability) to the Plan are funded by the General Fund.

The State of Florida also makes contributions to the Plan in accordance with Chapter 185 of the Florida Statutes as amended by the State Legislature. The City's actual annual contribution for the plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

Contributions to the Plan for the year ended September 30, 2017, were as follows:

Employee contributions	\$ 181,998
City contributions	9,860
State contributions	<u>93,609</u>
Total contributions	<u>\$ 285,467</u>

Investment Policy

See Note (3) for additional discussion of the investment policies for the Plan.

Net Pension Liability (Asset)

The components of the net pension liability (asset) for the Plan at September 30, 2017, was as follows:

Total pension liability	\$ 4,174,657
Plan fiduciary net position	<u>(4,771,141)</u>
Net pension liability (asset)	<u>\$ (596,484)</u>
Plan fiduciary net position as percentage of total pension liability	114.29%

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The total pension liability (asset) was determined by an actuarial valuation as of October 1, 2017, with a measurement date of September 30, 2017, using the following actuarial assumptions to all measurement periods.

Inflation	2.92%
Salary increases	4.00%
Investment rate of return	7.00%

Mortality rates for the Plan were based on the RP-2000 Combined Mortality Table, projected to 2015 by Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Core Bonds	16.0%	0.50%
Multi-sector	24.0%	1.00%
Large Cap Equity	39.0%	6.00%
Small Cap Equity	11.0%	6.75%
Foreign Equity	10.0%	6.75%
Total	<u>100.0%</u>	4.08%

Discount rate:

The discount rate used to measure the total pension liability for the pension plan was 7.00%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

Changes in net pension liability:

Changes in the plan's net pension liability were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a - b)
Beginning Balance	\$ 3,722,971	\$ 3,975,255	\$ (252,284)
Changes for year:			
Service cost	219,094	-	219,094
Interest	274,502	286,900	(12,398)
Contributions – employer/state	-	275,607	(275,607)
Contributions – employee	-	10,155	(10,155)
Net investment income	-	258,118	(258,118)
Benefit payments, including refunds	(41,910)	(19,348)	(22,562)
Administrative expenses	-	(15,546)	15,546
New changes	<u>451,686</u>	<u>795,886</u>	<u>(344,200)</u>
Ending Balance	<u>\$ 4,174,657</u>	<u>\$ 4,771,141</u>	<u>\$ (596,484)</u>

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

The following presents the net pension liability (asset) of the City calculated using the current discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

City's Net Pension Liability (Asset)	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Municipal Police Officers' Retirement Trust Fund	110,284	(596,484)	(1,172,926)

Money-weighted rate of return:

For the year ended September 30, 2017, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense was as follows:

Annual money-weighted rate of return 12.46%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$211,873 in the Plan.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (132,370)
Changes of assumptions	480,221	-
Net different between projected and actual investment earnings	-	(120,376)
	\$ 480,221	\$ (252,746)

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

2018	\$ 22,348
2019	24,281
2020	(31,698)
2021	(23,727)
2022	27,895
Thereafter	208,376
Total	\$ 227,475

C. Other Post-Employment Benefits (OPEB)

The City of Green Cove Springs Post-Employment Benefits Plan is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

The City's OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the GASB Codification. 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 liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The following table shows the components of the City's annual OPEB activity for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual Required Contribution	\$	80,869
Interest on Net OPEB Obligation		11,535
Adjustment to Annual Required Contribution		<u>(16,736)</u>
Annual OPEB Cost		75,668
City Contributions Made		<u>(30,130)</u>
Increase (Decrease) in Net OPEB Obligation		45,338
Net OPEB Obligation (beginning of year)		<u>379,444</u>
Net OPEB Obligation (end of year)		<u><u>\$ 430,734</u></u>

Three-year trend information is summarized as follows:

Plan Fiscal Year Ended September 30,	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation (Asset)
2017	\$ 75,668	39.8%	\$ 430,734
2016	75,668	39.8%	385,195
2015	75,668	39.8%	339,657

The funded status of the plan as of October 1, 2014, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	506,735
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liability (UAAL)		<u>\$ 506,735</u>
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (Active plan members)	\$	3,361,442
UAAL as a percentage of covered payroll		15.07%

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(8) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The calculations are based on the type of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of cost between the City and the plan member at that point. The actuarial method and assumptions used include techniques that 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. Significant methods and assumptions were as follows:

Actuarial Valuation Date	October 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Investment Rate of Return with Inflation	4.00%
Health Care Inflation	8.0% in 2015, trending to 4.5% in 2018

It should be noted that the percent of Annual OPEB Cost contributed is based upon actuarial calculations regarding the City's and State's contribution. The City's contribution is dependent upon the estimated state contributions that are not known and received at the end of the fiscal year. The City has typically used the general fund to liquidate net pension obligations.

Additional trend information related to the retirement plan is presented in the required supplementary information, as listed in the table of contents. The information is presented to enable the reader to assess the progress made by the City retirement plans in accumulating sufficient assets to pay retirement benefits as they become due.

No actuarial accrued liability has been calculated for the Plan as the Plan utilizes the aggregate actuarial cost method.

(9) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(10) **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. 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 2017 were \$921,935.

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 2017 were \$7,919,768.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(11) **Contingencies:**

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute, a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is involved in various legal proceedings incidental to the conduct of its affairs. It is the City's policy to accrue for amounts related to these legal matters if it is possible that a liability has been incurred and an amount is reasonably estimable. At September 30, 2017, no amounts have been accrued.

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 Economic Opportunity, formerly the 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.

(12) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2017, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.
- (b) GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, in March 2016, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 enhances comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The provisions in GASB 81 are effective for fiscal years beginning after December 15, 2016.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(12) **Recent Accounting Pronouncements:** (Continued)

- (c) GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, in November 2016. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are legally enforceable liabilities associated with the retirement of a tangible capital asset. The provisions in GASB 81 are effective for periods beginning after June 15, 2018.
- (d) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.
- (e) GASB issued Statement No. 85, *Omnibus 2017*, in March 2017. GASB 85 improves guidance addressing several different accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The provisions in GASB 85 are effective for periods beginning after June 15, 2017.
- (f) GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, in June 2017. GASB 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The provisions in GASB 86 are effective for periods beginning after June 15, 2017.
- (g) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 86 are effective for periods beginning after December 15, 2019.
- (h) GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in April 2018. GASB 88 expands debt disclosure requirements related to direct borrowings and direct placements, while also clarifying which liabilities should be included when disclosing information related to debt. The provisions in GASB 86 are effective for periods beginning after December 15, 2019.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS – OPEB
SEPTEMBER 30, 2017
(UNAUDITED)**

Other Post Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)--Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2014	\$ -	\$506,735	\$506,735	0.00%	\$3,361,442	15.1%
10/1/2011	-	408,964	408,964	0.00%	3,484,107	11.7%
10/1/2008	-	609,131	609,131	0.00%	3,438,653	17.7%

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM THE EMPLOYER – OPEB
SEPTEMBER 30, 2017
(UNAUDITED)**

Other Post Employment Benefit Plan					
Year Ended Sept 30,	Annual Required City Contribution	Actual City Contribution	Percentage Contribution		
2017	\$ 75,668	\$ 30,130	39.80%		
2016	75,668	30,130	39.80%		
2015	75,668	30,130	39.80%		
2014	66,463	27,582	41.50%		

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PENSION PLAN
SEPTEMBER 30, 2017
(UNAUDITED)

For the Year Ended September 30,	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 219,094	\$ 219,094	\$ 150,177	\$ 150,177
Interest	274,502	215,822	216,948	(49,064)
Difference between actual and expected experience	-	(136,512)	(18,269)	(1,935)
Employee contributions	-	-	-	(7,497)
Benefit payments	(41,910)	(19,062)	(18,780)	(13,844)
Assumption changes	-	557,241	-	-
Administrative expenses	-	-	-	23,305
Net change in total pension liability	232,592	836,583	330,076	101,142
Total pension liability – beginning	3,722,971	2,886,388	2,556,312	2,455,170
Total pension liability – ending (a)	<u>\$ 4,174,657</u>	<u>\$ 3,722,971</u>	<u>\$ 2,886,388</u>	<u>\$ 2,556,312</u>
Total Fiduciary Net Position				
Contributions – employer	\$ 181,998	\$ 235,252	\$ 212,216	\$ 195,747
Contributions – state	93,609	-	-	-
Contributions – employee	10,155	-	-	-
Net investment income (loss)	545,018	291,007	(4,872)	256,130
Benefit payments, including refunds of contributions	(19,348)	(19,062)	(18,780)	(22,317)
Administrative expense	(15,546)	(27,174)	(16,444)	(23,305)
Net change in plan fiduciary net position	795,886	480,023	172,120	406,255
Plan fiduciary net position – beginning	3,975,255	3,495,232	3,323,112	2,916,857
Plan fiduciary net position – ending (b)	<u>\$ 4,771,141</u>	<u>\$ 3,975,255</u>	<u>\$ 3,495,232</u>	<u>\$ 3,323,112</u>
Net pension liability – ending (a) - (b)	<u>\$ (596,484)</u>	<u>\$ (252,284)</u>	<u>\$ (608,844)</u>	<u>\$ (766,800)</u>
Plan fiduciary net position as a percentage of the total pension liability	114.29%	106.78%	121.09%	130.00%
Covered employee payroll	\$ 1,015,500	\$ 795,911	\$ N/A	\$ 693,444
Net pension liability as a percentage of covered employee payroll	-58.74%	-31.70%	N/A	-110.58%

*Information only available since GASB 67 implementation in FY14. Additional years' information will be added as it becomes available until a 10-year history is shown.

**Contributions in FY16 and in years prior are not split out between employer, state, and employee.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' PENSION PLAN
SEPTEMBER 30, 2017
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Contributions in Relation to ADC</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as Percentage of Employee Payroll</u>
2017	\$ 276,728	\$ 275,607	\$ (1,121)	\$ 1,015,500	27.14%
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	-	N/A	N/A
2012	218,682	218,682	-	719,300	30.40%
2011	218,693	218,693	-	727,111	30.08%
2010	249,232	249,232	-	725,727	34.34%
2009	204,951	204,951	-	N/A	N/A
2008	197,286	197,286	-	651,768	30.27%

Notes to Schedule:

Valuation Date: 10/01/2016

Actuarially determined contribution rates are calculated as of October 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Current: Aggregate Method (Level Percentage)
Amortization Method: Level Percentage
Remaining Amortization Period: 30 years
Asset Valuation Method: Market value
Inflation: 2.92% per year.
Salary Increases: 4.0% per year.
Interest Rate: 7.0% per year, compounded annually, net of investment-related expenses.
Cost-of-living Adjustments: 1.50%
Payroll Growth: None.
Retirement Age: Normal: Age 55 with 6 years of service or any age with 25 years of service
Early: Age 50 with 10 years of service
Mortality: 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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
POLICE OFFICERS' PENSION PLAN
SEPTEMBER 30, 2017
(UNAUDITED)**

<u>Year</u>	<u>Annual Money- Weighted Rate of Return</u>
2017	13.29%
2016	8.11%
2015	-0.14%
2014	8.39%

*Information only available since GASB 67 implementation in FY14. Additional years' information will be added as it becomes available until a 10-year history is shown.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – FRS/HIS
SEPTEMBER 30, 2017
(UNAUDITED)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Florida Retirement System (FRS)			
Proportion of the net pension liability (NPL)	0.007345438%	0.008451778%	0.007974291%
Proportionate share of the NPL	\$ 2,172,731	\$ 2,134,081	\$ 1,029,986
Covered payroll	2,330,206	2,484,644	2,386,450
Proportionate share of the NPL as percentage of covered payroll	93.24%	85.89%	43.16%
Plan fiduciary net position as a percentage of the NPL	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)			
Proportion of the net pension liability (NPL)	0.007194699%	0.008436522%	0.007652351%
Proportionate share of the NPL	\$ 769,290	\$ 983,242	\$ 780,419
Covered payroll	2,330,206	2,484,644	2,386,450
Proportionate share of the NPL as percentage of covered payroll	33.01%	39.57%	32.70%
Plan fiduciary net position as a percentage of the NPL	1.64%	0.97%	0.50%

*10 years of data will be presented as it becomes available

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS – FRS/HIS
SEPTEMBER 30, 2017
(UNAUDITED)**

For the Plan Year ended June 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Florida Retirement System (FRS)			
Contractually required contribution	\$ 207,762	\$ 206,110	\$ 194,420
Contributions in relation to contractually required contribution	<u>207,762</u>	<u>206,110</u>	<u>206,890</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,470)</u>
Covered payroll	\$ 2,330,206	\$ 2,484,644	\$ 2,386,450
Contributions as percentage of covered payroll	8.92%	8.30%	8.15%
 Health Insurance Subsidy Program (HIS)			
Contractually required contribution	\$ 38,681	\$ 43,243	\$ 29,252
Contributions in relation to contractually required contribution	<u>38,681</u>	<u>43,243</u>	<u>32,711</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,459)</u>
Covered payroll	\$ 2,330,206	\$ 2,484,644	\$ 2,386,450
Contributions as percentage of covered payroll	1.66%	1.74%	1.23%

*10 years of data will be presented as it becomes available

SUPPORTING SCHEDULES

Financial schedules are presented to provide greater detailed information than reported in the preceding financial statements. This information, in many cases, has been spread throughout the report and is brought together here for greater clarity. Financial schedules are not necessary for fair presentation in conformity with generally accepted accounting principles.

**CITY OF GREEN COVE SPRINGS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

	Special Revenue Funds		Capital Project Fund	Total Nonmajor Governmental Funds
	Building Permit Fund	Special Law Enforcement Fund	General Capital Improvement Fund	
ASSETS				
Equity in pooled cash and investments	\$ 566,781	\$ 65,286	\$ 27,166	\$ 659,233
Total assets	<u>\$ 566,781</u>	<u>\$ 65,286</u>	<u>\$ 27,166</u>	<u>\$ 659,233</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 122,931	\$ -	\$ -	\$ 122,931
Total liabilities	<u>122,931</u>	<u>-</u>	<u>-</u>	<u>122,931</u>
FUND BALANCES				
Restricted for:				
Public safety	443,850	65,286	-	509,136
Assigned to:				
Capital improvements	-	-	27,166	27,166
Unassigned	-	-	-	-
Total fund balances	<u>443,850</u>	<u>65,286</u>	<u>27,166</u>	<u>536,302</u>
Total liabilities and fund balances	<u>\$ 566,781</u>	<u>\$ 65,286</u>	<u>\$ 27,166</u>	<u>\$ 659,233</u>

**CITY OF GREEN COVE SPRINGS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Special Revenue Funds		Capital Project Fund	Total Nonmajor Governmental Funds
	Building Permit Fund	Special Law Enforcement Fund	General Capital Improvement Fund	
REVENUES				
Licenses and permits	\$ 385,505	\$ -	\$ -	\$ 385,505
Fines and forfeitures	-	12,856	-	12,856
Miscellaneous	13,134	480	-	13,614
Total revenues	398,639	13,336	-	411,975
EXPENDITURES				
Current:				
General government	256,894	-	-	256,894
Public safety	-	422	-	422
Capital outlay	14,532	-	-	14,532
Debt service:				
Principal retirement	-	-	136,000	136,000
Interest and fiscal charges	-	-	23,939	23,939
Total expenditures	271,426	422	159,939	431,787
Excess (deficiency) of revenues over expenditures	127,213	12,914	(159,939)	(19,812)
Other financing sources (uses)				
Transfers in	-	-	159,939	159,939
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	159,939	159,939
Net change in fund balances	127,213	12,914	-	140,127
Fund balances, beginning of year	316,637	52,372	27,166	396,175
Fund balances, end of year	\$ 443,850	\$ 65,286	\$ 27,166	\$ 536,302

**CITY OF GREEN COVE SPRINGS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Federal Agency / Pass-Through Entity / Federal Project</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
Federal Awards			
<u>State of Florida Department of Environmental Protection</u>			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-JAGD-CLAY-1-F8-077	\$ 1,698
Total U.S. Department of Justice			<u>1,698</u>
<u>U.S. Department of Agriculture Forest Service</u>			
Direct Programs:			
Cooperative Forestry Assistance	10.664	022780	14,682
Total U.S. Department of Agriculture Forest Service			<u>14,682</u>
<u>U.S. Environmental Protection Agency</u>			
Indirect Programs:			
Pass through Florida Division of Environmental Protection			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-120001-016	532,300
Total U.S. Environmental Protection Agency / Clean Water State Revolving Fund Cluster			<u>532,300</u>
<u>Federal Emergency Management Agency</u>			
Indirect Programs:			
Pass through Florida Division of Emergency Management			
Hurricane Matthew Disaster Grant - Public Assistance	97.036	17-PA-U5-04-20-01-165	65,988
Total Federal Emergency Management Agency			<u>65,988</u>
<u>U.S. Department of Homeland Security</u>			
Indirect Programs:			
Pass through Florida Division of Emergency Management			
Hazard Mitigation Grant -MLK Blvd. Drainage Improvements Project Phase II	97.039	16HM-6B-04-20-02-354	41,149
Hazard Mitigation Grant -Citizen Street Drainage Improvements Project Phase II	97.039	16HM-6B-04-20-02-353	454,590
Total U.S. Department of Homeland Security			<u>495,739</u>
Total Federal Awards			<u><u>\$ 1,110,407</u></u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

CITY OF GREEN COVE SPRINGS, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Green Cove Springs (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(3) **De Minimis Indirect Cost Rate Election:**

The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

(4) **Subrecipients:**

During the year ended September 30, 2017, the City provided no federal awards to subrecipients.

(5) **Deferred FEMA Expenditures:**

During the fiscal year ended September 30, 2017, the City incurred substantial costs related to Hurricane Matthew and Hurricane Irma. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under CFDA 97.036 are not to be recognized as expenditures for purposes of the Schedule of Expenditures of Federal Awards until the respective Project Worksheets (PW) have been approved. At September 30, 2017, none of the City's PWs from these storms had been approved by FEMA, except those related to cost category F costs for Hurricane Matthew of \$76,986. \$529,522 of expenditures and the related revenues have been recorded for financial statement purposes and will be recognized on the Schedule of Expenditures of Federal Awards in future years once approved by FEMA. Because only \$76,986 of the Hurricane Matthew costs were obligated in FY2017, only that amount will be recognized on the FY2017 SEFA.

(6) **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

**CITY OF GREEN COVE SPRINGS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported for federal award programs in accordance with Uniform Guidance? yes none reported

Auditee qualified as a low-risk auditee? yes no

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Identification of major Federal programs:

CSFA Number	Program Name
66.458	Capitalization Grants for Clean Water State Revolving Funds

**CITY OF GREEN COVE SPRINGS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

B. Financial Statement Findings:

2017-001 Cutoff of Expense Transactions

Criteria: Generally accepted accounting standards dictate that expenditures should be reported in the period incurred, regardless of when paid.

Condition: We noted a significant audit adjustment was required to accrue additional 2017 expenditures in the sewer utility fund along with the related accounts payable and retainage payable liabilities.

Cause: The expenses that did not get accrued were not properly identified as fiscal year 2017 expenditures based on review of the invoice date and service period when the invoice was processed.

Effect: Had the audit adjustments not been recorded the related capital expenditures toward construction in progress and related liabilities at year-end would have been significantly understated.

Recommendation: We recommend all invoices received and other payments made near year-end be reviewed for proper cutoff to ensure all items are recorded in the appropriate accounting period.

C. Federal Program Findings and Questioned Costs: None.

D. Summary Schedule of Prior Audit Findings: Not applicable as there are not prior year findings.

E. Corrective Action Plan: See Management's Response to Current Year Findings as listed in the table of contents.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Honorable Mayor, City Council, and City Manager,
City of Green Cove Springs, Florida:

Report on Compliance for Each Major Federal Project

We have audited the City of Green Cove Springs, Florida's (the City) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2017.

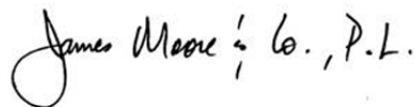
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Daytona Beach, Florida
April 30, 2018

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

To the Honorable Mayor, City Council, and City Manager,
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 the 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 (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2018.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as item 2017-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

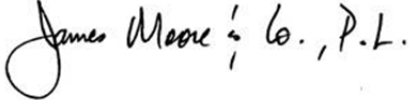
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City of Green Cove Springs, Florida's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying management's response as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "James Moore & Co., P.L." The signature is written in dark ink and is positioned to the right of the main text block.

Daytona Beach, Florida
April 30, 2018

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

To the Honorable Mayor, City Council, and City Manager,
City of Green Cove Springs, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Green Cove Springs, Florida (the City), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated April 30, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance; schedule of findings and questioned costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 30, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no prior year comments.

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. The legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

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Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions 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.

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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires us to address in the management letter any recommendations to improve financial management. In connection with our audit, we had no such recommendations.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to 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, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

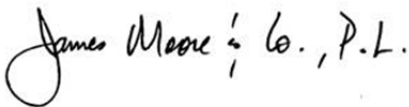
Other Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to 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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Council, management, others within the City, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida
April 30, 2018



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

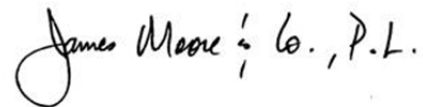
To the Honorable Mayor, City Council, and City Manager,
City of Green Cove Springs:

We have examined the City of Green Cove Springs's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City of Green Cove Springs complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Daytona Beach, Florida
April 30, 2018





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April 30, 2018

Honorable Sherril F. Norman, CPA
Auditor General
Claude Pepper Building
Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Norman:

Pursuant to the provisions of Section 218.39(6) Florida Statutes, the following are the responses to the audit of the City of Green Cove Springs conducted by James Moore & Co., P.L., CPAs for the period October 1, 2016 to September 30, 2017.

2017-001 Cutoff of Expenditures:

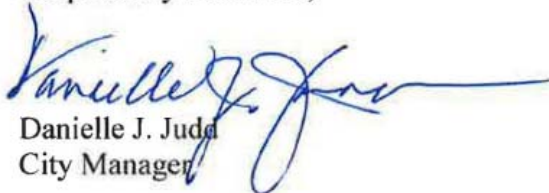
Auditor's Comment:

We noted a significant audit adjustment was required to accrue additional 2017 expenditures in the sewer utility fund along with the related accounts payable and retainage payable liabilities.

Management's Response:

The City does identify expenses and attempts to accrue expenses in the proper fiscal year. The sewer utility fund invoice had the proper fiscal year 2017 identified and written on the invoice. The invoice date keyed into the financial system had a September 2017 date but the batch date was keyed into the financial system with an incorrect October 2017 date. Instructions on the proper input of invoice and batch dates are given to Accounts Payable during September of each fiscal year to ensure the proper recording of expenditures in the appropriate accounting period.

Respectfully submitted,


Danielle J. Juda
City Manager