

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
CITY OF GREEN COVE SPRINGS, FLORIDA
SEPTEMBER 30, 2015**

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CITY OF GREEN COVE SPRINGS, FLORIDA

SEPTEMBER 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Green Cove Springs, Florida, (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT
(Continued)

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – GASB 68

As discussed in Note 1 to the financial statements, in 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


June 10, 2016
Gainesville, Florida

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

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

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

HIGHLIGHTS

Financial Highlights

- The City's assets exceeded its liabilities at September 30, 2015, by \$53.0 million. Unrestricted net position was \$9.8 million at September 30, 2015.
- The City's net position increased by \$340,635 or 0.65%. The governmental net position increased \$213,609 or 0.85% and the business-type net position increased by \$127,026 or 0.46%.
- The business-type activities revenues, including capital grants and investment revenue, decreased by \$119,180 or 0.75% and the net results from activities increased by \$46,410 or 57.57%.
- The governmental net position decreased due to the implementation of GASB No. 68 as required in 2015. GASB No. 68 requires the City to retroactively record the City's portion of the net pension liability or asset on the City's Statement of Net Position, which has an effect of increasing or decreasing the City's net position.
- The business-type net position decreased mainly due to the implementation of GASB No. 68 as required in 2015. GASB No. 68 requires the City to retroactively record the City's portion of the net pension liability or asset on the City's Statement of Net Position, which has an effect of increasing or decreasing the City's net position.

City Highlights

- The City spent approximately \$1.3 million on capital improvements, of which \$337k was for the deconstruction of old City Hall and commencement of the Historic Spring Park construction. The City also purchased approximately \$45k in equipment in the General Government Fund during the fiscal year. \$28k was spent on the Augusta Savage Community Center for asbestos removal and the Industrial Arts Building demolition, and an additional \$132k was spent replacing vehicles within the Police and Building Departments.
- During this fiscal year, the Electric Department spent \$29k on the Hwy. 17 reconductor project. \$22k was spent on the Chapman Substation. \$13k was spent on the Magnolia Point Phase 8 Project. Additional transformers were also purchased during the year for \$131k. \$50k was expended for other electric transmission improvements.
- The Water Department continued the electronic meter replacement program and spent \$83k during the fiscal year. An additional \$34k was expended for Water Treatment Plant improvements which include water system valve replacement and upgrades.
- The Wastewater Department expended \$19k for the Master Plan Project and \$48k for lift station and plant upgrades and safety repairs.

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

City Highlights (Concluded)

- The Wastewater Department purchased a 2016 Ford F-450 Truck for \$64k.
- The Stormwater Department expended \$13k for stormwater repairs on Cypress Street.
- \$18k was used to purchase a 2015 Nissan Frontier Truck for the Customer Service Department.

Overview of Financial Statements

The MD&A is intended to serve as an introduction to the City's Basic Financial Statements. The City's Basic Financial Statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Balance Statements; and (3) Notes to Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a timely manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave.) This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, physical environment, transportation, economic environment and culture, and recreation. The business-type activities include electric, water and wastewater, stormwater and solid waste collection. The business-type activities reflect private sector type operations where the fee for service typically covers all or most of the cost of operation including depreciation.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three (3) categories: governmental funds, proprietary funds, and fiduciary funds.

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

Fund Financial Statements (Concluded)

Governmental funds ⁽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 30 through 58 of this report.

Government-wide Financial Analysis—Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$53.0 million or a 1.14% decrease at the close of the fiscal year ended September 30, 2015. A portion of the City's net position, \$1,751,825, represents resources that are subject to external restrictions on how they may be used. Governmental activities had \$1,052,126 in restricted net position and the Business-type activities had \$699,699 in restricted net position at September 30, 2015.

⁽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
As of September 30, 2015 (In 000s)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2014	2015	2014	2015	2014	2015	
Current and Other Assets	\$ 2,829	\$ 3,791	\$ 13,223	\$ 13,991	\$ 16,052	\$ 17,782	10.78%
Capital Assets	<u>25,313</u>	<u>25,174</u>	<u>20,561</u>	<u>19,577</u>	<u>45,874</u>	<u>44,751</u>	-2.45%
Total Assets	<u>\$ 28,142</u>	<u>\$ 28,965</u>	<u>\$ 33,784</u>	<u>\$ 33,568</u>	<u>\$ 61,926</u>	<u>\$ 62,533</u>	0.98%
Current Liabilities	\$ 259	\$ 781	\$ 2,714	\$ 2,673	\$ 2,973	\$ 3,454	16.18%
Long-term Liabilities	<u>2,766</u>	<u>3,095</u>	<u>2,548</u>	<u>2,958</u>	<u>5,314</u>	<u>6,053</u>	13.91%
Total Liabilities	<u>\$ 3,025</u>	<u>\$ 3,876</u>	<u>\$ 5,262</u>	<u>\$ 5,631</u>	<u>\$ 8,287</u>	<u>\$ 9,507</u>	14.72%
Net Position:							
Net Investment in Capital Assets	\$ 23,287	\$ 23,542	\$ 18,582	\$ 17,902	\$ 41,869	\$ 41,444	-1.02%
Restricted	828	1,052	393	700	1,221	1,752	43.49%
Unrestricted	<u>1,002</u>	<u>495</u>	<u>9,547</u>	<u>9,335</u>	<u>10,549</u>	<u>9,830</u>	-6.82%
Total Net Position	<u>\$ 25,117</u>	<u>\$ 25,089</u>	<u>\$ 28,522</u>	<u>\$ 27,937</u>	<u>\$ 53,639</u>	<u>\$ 53,026</u>	<u>-1.14%</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, 2015 (In 000s)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2014	2015	2014	2015	2014	2015	
<u>REVENUES</u>							
Charges for Services	\$ 711	\$ 897	\$ 15,854	\$ 15,671	\$ 16,565	16,568	0.02%
Operating Grants and Contributions	404	443	0	0	404	443	9.71%
Capital Grants and Contributions	441	7	3	4	444	11	-97.6%
General Revenues:							
Property Taxes	955	1,176	0	0	955	1,176	23.16%
State Revenue Sharing	199	210	0	0	199	210	5.35%
Sales and Use Tax	335	359	0	0	335	359	7.17%
Discretionary Sales Surtax	708	753	0	0	708	753	6.25%
Investment Income	7	5	4	15	11	20	67.45%
Business and Utility Taxes	517	521	0	0	517	521	0.85%
Sale of Fixed Assets	0	0	0	0	0	0	0.00%
Other General Revenues	86	66	83	135	169	201	18.93%
Total Revenues	<u>\$ 4,363</u>	<u>\$ 4,437</u>	<u>\$ 15,944</u>	<u>\$ 15,825</u>	<u>\$ 20,307</u>	<u>\$ 20,262</u>	<u>-0.22%</u>

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

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2014	2015	2014	2015	2014	2015	
<u>EXPENSES</u>							
Governmental							
Activities:							
General							
Government	\$ 1,384	\$ 1,273	\$ 0	\$ 0	\$ 1,384	\$ 1,273	-8.02%
Public Safety	2,375	2,606	0	0	2,375	2,606	9.73%
Transportation	1,125	1,203	0	0	1,125	1,203	6.93%
Physical							
Environment	157	113	0	0	157	113	-27.9%
Economic							
Environment	0	0	0	0	0	0	0.00%
Culture and							
Recreation	432	374	0	0	432	374	-13.4%
Interest on							
Long-term							
Debt	30	24	0	0	30	24	-20.6%
Business-type							
Activities:							
Electric	0	0	11,202	10,745	11,202	10,745	-4.08%
Water	0	0	1,298	1,330	1,298	1,330	2.42%
Wastewater	0	0	1,517	1,566	1,517	1,566	3.21%
Stormwater	0	0	133	159	133	159	19.9%
Solid Waste	0	0	491	527	491	527	7.46%
Total Expenses	\$ 5,503	\$ 5,593	\$14,641	\$14,327	\$ 20,144	\$ 19,920	-1.12%
Excess of Revenues							
Over Expenses	\$ (1,140)	\$ (1,156)	\$ 1,303	\$ 1,498	\$ 163	\$ 342	110%
Transfers	1,222	1,371	(1,222)	(1,371)	0	0	
NET INCREASE	\$ 82	\$ 214	\$ 81	\$ 127	\$ 163	\$ 342	110%

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 2015, investment income increased 67.45% due to market conditions.

Expenses

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

Authorized Personnel—changes in service demand may cause the Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 28.04% 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.

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 23.16% for fiscal year 2015. The City's millage rate for this fiscal year is 3.60 mils. The passing of Amendment 1, Property Tax Reform, limits governments in their ability to collect additional ad valorem tax.

In government activities, total revenues increased primarily due to an increase in property tax revenue, sales tax revenue, and shared state revenues. General fund revenues, including transfers-in, increased from the previous year with an overall increase of 3.9%.

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 decreased by approximately .75%, due mainly to a decrease in electric sales.

Expenses

The Governmental activities expenses increased by approximately 1.62%, primarily due to an increase in general government and public safety expenses.

The primary decrease in the business-type activities is a result of the proportionate decrease in electric sales relative to the cost to electrical power. The business-type activities expenses, excluding transfers, decreased by 2.1%.

Proprietary Funds

The Utility Fund accounting for the Electric, Water, Wastewater, Stormwater, and Solid Waste activities had an increase in net position of \$127,026. Operating revenues decreased by \$183,191 and operating expenses decreased by \$292,560. The decrease in revenues and expenses was due mainly to the cost of power being lower during the year. Utility fund operating expenses (excluding depreciation) decreased by 2.4%.

Budgetary Highlights

The most significant budget adjustments were as follows:

General Fund

- The budget was increased by \$54,357 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 \$38,374 in Compensated Absences Reserve to fund employees' payouts in the Utility Funds for vacation and attendance incentive pay payouts.

Special Revenue Funds

- Increased Building Fund revenue of \$203,000 for unanticipated revenues and expenditures due to increased building permit activity for Magnolia West and Magnolia Phase VIII.

Capital Improvement Funds

- Established Spring Park Capital Improvement Fund by transferring \$350,000 from the General Fund for the Old City Hall Demolition and Historic Spring Park Construction.

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 \$44,751,176 invested in a variety of capital assets, as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$1,122,263 or 2.45% 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)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Land and Land Rights	\$ 8,014	\$ 8,014	\$ 227	\$ 227	\$ 8,241	\$ 8,241
Construction in Progress	0	0	0	0	0	0
Buildings and Plants	10,510	10,301	42,152	42,536	52,662	52,837
Improvements Other than Buildings	3,278	3,560	0	0	3,278	3,560
Equipment	2,860	2,879	0	0	2,860	2,879
Infrastructure	9,043	9,199	4,793	4,758	13,836	13,957
Less:						
Accumulated Depreciation	(8,392)	(8,779)	(26,611)	(27,944)	(35,003)	(36,723)
Total	\$ 25,313	\$ 25,174	\$ 20,561	\$ 19,577	\$ 45,874	\$ 44,751

The following reconciliation summarizes the change in Capital Assets.

	Change in Capital Assets (In 000s)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Beginning Balance, Net	\$ 21,978	\$ 25,313	\$ 21,460	\$ 20,561	\$ 43,438	\$ 45,874
Additions	8,461	735	589	530	9,050	1,265
Retirement						
Other	(4,415)	(487)	(26)	(181)	(4,441)	(668)
Depreciation	(711)	(387)	(1,462)	(1,333)	(2,173)	(1,720)
Ending Balance, Net	\$ 25,313	\$ 25,174	\$ 20,561	\$ 19,577	\$ 45,874	\$ 44,751

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/Classroom Asbestos Removal/Industrial Arts Bldg. Demolition	\$ 28
Building Department Furniture	2
Archive Room Dedication Plaque	1
Old City Hall Deconstruction/Spring Park Const.	337
Police Vehicles	116
Building Department Sound Examiner	3
Building Department Vehicle	16
Pavement Management Project	155
Park Equipment	36
Streets	14
Park Improvements	16
Garage Equipment	9
 Business-type Activities:	
Electric Magnolia Point Phase 8	13
Electric Chapman Substation	22
Electric Transformers	131
Electric Transmission	50
Water Treatment Plant Improvements	34
Water Meter Replacement	83
Wastewater Manhole Repair	2
Lift Station Improvements	40
Wastewater System Master Plan	19
Wastewater F450 Truck	64
Stormwater Cypress Street Project	13
Customer Service Meter Reader Truck	18
Electric Hwy 17 Recondutor Project	29
Wastewater Structural Safety Repairs	12

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

Debt Outstanding

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

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

	Totals	
	2015	2014
Governmental:		
Compensated Absences	\$ 531	\$ 513
OPEB Obligation	220	206
Sales Tax Revenue Note		
Series 2013	1,632	2,026
Net Pension Liability	1,067	692
Sub-Total – Governmental	3,450	3,437
Business-type:		
Utility Notes	1,675	2,051
Equipment Note	0	37
Compensated Absences	420	372
OPEB Obligation	120	88
Net Pension Liability	743	482
Sub-Total – Business-Type	2,958	3,030
Total	\$ 6,408	\$ 6,467

ECONOMIC FACTORS

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

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

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,128,782	\$ 7,961,187	\$ 9,089,969
Investments	1,200,000	2,000,000	3,200,000
Accounts Receivable, Net	33,570	1,143,628	1,177,198
Accrued Interest Receivable	16,545	36,210	52,755
Accrued Utility Sales - Unbilled	0	1,188,627	1,188,627
Due from Other Governments	208,240	0	208,240
Internal Balances	46,427	(46,427)	0
Inventory	40,319	217,685	258,004
Prepays	15,668	5,300	20,968
Net Pension Asset	608,844	0	608,844
Restricted Assets:			
Cash and Equivalents	0	1,297,029	1,297,029
Capital Assets:			
Nondepreciable	8,014,273	227,136	8,241,409
Depreciable, Net	17,159,659	19,350,108	36,509,767
Total Assets	28,472,327	33,380,483	61,852,810
Deferred Outflows of Resources			
Pension Related	493,391	187,729	681,120
Total Deferred Outflows of Resources	493,391	187,729	681,120
Liabilities			
Accounts Payable and Accrued Liabilities	216,902	790,399	1,007,301
Power Cost Recovered in Advance	0	1,158,725	1,158,725
Deposits	0	597,330	597,330
Accrued Interest Payable	5,552	0	5,552
Noncurrent Liabilities:			
Due Within One Year	559,144	515,128	1,074,272
Due in More than One Year	1,823,855	1,700,030	3,523,885
Net Pension Liability	1,067,053	743,352	1,810,405
Total Liabilities	3,672,506	5,504,964	9,177,470
Deferred Inflows of Resources			
Pension Related	204,285	126,366	330,651
Total Deferred Inflows of Resources	204,285	126,366	330,651
Net Position			
Net Investment in Capital Assets	23,542,370	17,901,551	41,443,921
Restricted for:			
Public Safety	290,636	0	290,636
Capital Projects	761,490	0	761,490
Debt Service	0	68,808	68,808
System Improvements	0	630,891	630,891
Unrestricted	494,431	9,335,632	9,830,063
Total Net Position	\$ 25,088,927	\$ 27,936,882	\$ 53,025,809

See accompanying notes.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 1,272,339	\$ 43,933	\$ 0	\$ 5,000
Public Safety	2,606,534	830,925	85,687	2,250
Physical Environment	113,173	0	0	0
Transportation	1,202,381	0	357,060	0
Culture and Recreation	374,237	22,478	0	0
Interest on Long-term Debt	24,018	0	0	0
Total Governmental Activities	5,592,682	897,336	442,747	7,250
Business-type Activities				
Electric	10,745,346	11,994,907	0	0
Water	1,329,822	1,358,714	0	800
Sewer	1,566,127	1,618,946	0	2,650
Solid Waste	527,181	571,173	0	0
Stormwater	158,763	126,641	0	0
Total Business-type Activities	14,327,239	15,670,381	0	3,450
Total Primary Government	\$ 19,919,921	\$ 16,567,717	\$ 442,747	\$ 10,700

General Revenues

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

Net Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning of Year

Adjustment to Beginning Net Position

Net Position, Beginning of Year, As Restated

Net Position, End of Year

See accompanying notes.

Net (Expense) Revenue and Change in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,223,406)	\$ 0	\$ (1,223,406)
(1,687,672)	0	(1,687,672)
(113,173)	0	(113,173)
(845,321)	0	(845,321)
(351,759)	0	(351,759)
(24,018)	0	(24,018)
<u>(4,245,349)</u>	<u>0</u>	<u>(4,245,349)</u>
0	1,249,561	1,249,561
0	29,692	29,692
0	55,469	55,469
0	43,992	43,992
0	(32,122)	(32,122)
<u>0</u>	<u>1,346,592</u>	<u>1,346,592</u>
<u>(4,245,349)</u>	<u>1,346,592</u>	<u>(2,898,757)</u>
1,175,895	0	1,175,895
1,321,016	0	1,321,016
184,404	0	184,404
336,791	0	336,791
4,372	15,242	19,614
65,604	136,068	201,672
<u>1,370,876</u>	<u>(1,370,876)</u>	<u>0</u>
<u>4,458,958</u>	<u>(1,219,566)</u>	<u>3,239,392</u>
213,609	127,026	340,635
25,117,157	28,522,036	53,639,193
(241,839)	(712,180)	(954,019)
<u>24,875,318</u>	<u>27,809,856</u>	<u>52,685,174</u>
<u>\$ 25,088,927</u>	<u>\$ 27,936,882</u>	<u>\$ 53,025,809</u>

See accompanying notes.

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 841,777	\$ 287,005	\$ 1,128,782
Investments	1,200,000	0	1,200,000
Accounts Receivable	33,570	0	33,570
Accrued Interest Receivable	16,545	0	16,545
Due from Other Governments	208,240	0	208,240
Due from Other Funds	221,946	0	221,946
Inventory	40,319	0	40,319
Prepaid Expenses	15,668	0	15,668
Total Assets	<u>2,578,065</u>	<u>287,005</u>	<u>2,865,070</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued			
Liabilities	131,177	85,725	216,902
Due to Other Funds	<u>0</u>	<u>175,519</u>	<u>175,519</u>
Total Liabilities	<u>131,177</u>	<u>261,244</u>	<u>392,421</u>
Fund Balances			
Nonspendable:			
Inventories	40,319	0	40,319
Prepaid Expenses	15,668	0	15,668
Restricted for:			
Public Safety	104,402	186,234	290,636
Capital Projects	746,444	15,046	761,490
Assigned to:			
Subsequent Year Budget	1,295,414	0	1,295,414
Unassigned	244,641	(175,519)	69,122
Total Fund Balances	<u>2,446,888</u>	<u>25,761</u>	<u>2,472,649</u>
Total Liabilities and Fund Balances	<u>\$ 2,578,065</u>	<u>\$ 287,005</u>	<u>\$ 2,865,070</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

Fund Balance - Total Governmental Funds	\$	2,472,649
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**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:**

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

Capital Assets - Net		25,173,932
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Deferred Outflows and Inflows of Resources are not available in the current period and, therefore, are not reported in the governmental funds.

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

Deferred Outflows Related to Pensions		493,391
Deferred Inflows Related to Pensions		(204,285)

Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year-end consist of:

Revenue Note		(1,631,562)
Accrued Interest Payable		(5,552)
Compensated Absences		(531,407)
OPEB Liability		(220,030)

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

Net Pension Asset - Police Pension Plan		608,844
Net Pension Obligation - FRS		(1,067,053)

Net Position of Governmental Activities	\$	25,088,927
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See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,725,016	\$ 0	\$ 2,725,016
Licenses and Permits	7,316	339,419	346,735
Intergovernmental	690,387	0	690,387
Charges for Services	51,609	0	51,609
Fines and Forfeitures	545,478	0	545,478
Investment Earnings	4,372	0	4,372
Miscellaneous	53,447	18,371	71,818
Interfund Charges	200,000	0	200,000
Total Revenues	<u>4,277,625</u>	<u>357,790</u>	<u>4,635,415</u>
Expenditures			
Current:			
General Government	1,277,587	0	1,277,587
Public Safety	2,260,467	183,841	2,444,308
Physical Environment	114,784	0	114,784
Transportation	846,677	0	846,677
Culture and Recreation	273,511	0	273,511
Capital Outlay	379,018	355,772	734,790
Principal Payments	0	394,354	394,354
Interest and Fees	0	26,023	26,023
(Total Expenditures)	<u>5,152,044</u>	<u>959,990</u>	<u>6,112,034</u>
(Deficiency) of Revenues (Under)			
Expenditures	<u>(874,419)</u>	<u>(602,200)</u>	<u>(1,476,619)</u>
Other Financing Sources			
Transfers in	1,370,877	770,376	2,141,253
Trasfers (out)	(770,377)	0	(770,377)
Total Other Financing Sources	<u>600,500</u>	<u>770,376</u>	<u>1,370,876</u>
Net Change in Fund Balances	(273,919)	168,176	(105,743)
Fund Balances, Beginning of Year	<u>2,720,807</u>	<u>(142,415)</u>	<u>2,578,392</u>
Fund Balances, End of Year	<u>\$ 2,446,888</u>	<u>\$ 25,761</u>	<u>\$ 2,472,649</u>

See accompanying notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

Net Change in Fund Balance - Total Governmental Funds \$ (105,743)

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

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

Acquisitions of Capital Assets	\$ 734,790	
Current Year Depreciation Expense	<u>(873,369)</u>	
		(138,579)

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

Principal Payments on Revenue Note	394,354
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Some expenses reported in the statement of activities do not require the
use of current financial resources and are not reported as expenditures
in the governmental funds. Those amounts include:

Accrued Interest on Long-term Debt	2,005	
Compensated Absences	(18,394)	
OPEB Liability	<u>(14,177)</u>	
		(30,566)

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

Change in Net Position of Governmental Activities	<u><u>\$ 213,609</u></u>
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See accompanying notes.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA

	Business-type Activities		
	Major Funds		
	Electric Utility	Water Utility	Sewer Utility
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 6,646,299	\$ 1,234,109	\$ 67,667
Investments	2,000,000	0	0
Accounts Receivable (Net of Allowance)	851,027	115,226	107,653
Accrued Interest Receivable	36,210	0	0
Accrued Utility Sales - Unbilled	938,955	90,587	114,765
Inventories	169,603	46,897	1,185
Prepays and Deposits	0	0	0
Restricted Current Assets:			
Cash and Cash Equivalents	610,968	215,907	462,804
Total Current Assets	<u>11,253,062</u>	<u>1,702,726</u>	<u>754,074</u>
Noncurrent Assets:			
Nondepreciable Capital Assets	38,959	103,085	85,092
Depreciable Capital Assets, Net	7,306,688	6,950,471	4,693,952
Total Noncurrent Assets	<u>7,345,647</u>	<u>7,053,556</u>	<u>4,779,044</u>
Total Assets	<u>18,598,709</u>	<u>8,756,282</u>	<u>5,533,118</u>
Deferred Outflows of Resources			
Pension Related	55,185	38,954	38,771
Total Deferred Outflows of Resources	<u>55,185</u>	<u>38,954</u>	<u>38,771</u>
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	750,943	8,555	11,704
Power Costs Recovered in Advance	1,158,725	0	0
Due to Other Funds	0	0	0
Customer Deposits	542,160	24,525	23,295
Current Portion of Compensated Absences	29,225	26,022	26,022
Current Portion of Long-term Liabilities	245,185	143,991	0
Total Current Liabilities	<u>2,726,238</u>	<u>203,093</u>	<u>61,021</u>
Noncurrent Liabilities:			
Noncurrent Portion of Compensated Absences	68,190	60,717	60,717
Noncurrent Portion of Long-term Liabilities	652,525	633,992	0
Other Postemployment Benefits Liability	26,837	20,668	20,665
Net Pension Liability	218,516	154,247	153,522
Total Noncurrent Liabilities	<u>966,068</u>	<u>869,624</u>	<u>234,904</u>
Total Liabilities	<u>3,692,306</u>	<u>1,072,717</u>	<u>295,925</u>
Deferred Inflows of Resources			
Pension Related	37,148	26,221	26,098
Total Deferred Inflows of Resources	<u>37,148</u>	<u>26,221</u>	<u>26,098</u>
Net Position			
Net Investment in Capital Assets	6,447,937	6,275,573	4,779,044
Restricted for:			
Debt Service	68,808	0	0
System Improvements	0	191,382	439,509
Unrestricted	8,407,695	1,229,343	31,313
Total Net Position	<u>\$ 14,924,440</u>	<u>\$ 7,696,298</u>	<u>\$ 5,249,866</u>

See accompanying notes.

Business-type Activities			
Major Funds	Nonmajor Fund	Total	Business-type Activities
Solid Waste Utility	Stormwater Utility	Enterprise Funds Utilities	Internal Service Fund
\$ 0	\$ 13,112	\$ 7,961,187	\$ 0
0	0	2,000,000	0
41,009	28,713	1,143,628	0
0	0	36,210	0
44,320	0	1,188,627	0
0	0	217,685	0
0	0	0	5,300
7,350	0	1,297,029	0
<u>92,679</u>	<u>41,825</u>	<u>13,844,366</u>	<u>5,300</u>
0	0	227,136	0
350,596	11,684	19,313,391	36,717
<u>350,596</u>	<u>11,684</u>	<u>19,540,527</u>	<u>36,717</u>
<u>443,275</u>	<u>53,509</u>	<u>33,384,893</u>	<u>42,017</u>
23,775	2,789	159,474	28,255
<u>23,775</u>	<u>2,789</u>	<u>159,474</u>	<u>28,255</u>
11,847	1,398	784,447	5,952
0	0	1,158,725	0
45,040	0	45,040	1,387
7,350	0	597,330	0
17,467	3,887	102,623	23,329
0	0	389,176	0
<u>81,704</u>	<u>5,285</u>	<u>3,077,341</u>	<u>30,668</u>
40,755	9,071	239,450	54,433
0	0	1,286,517	0
24,623	6,709	99,502	20,128
94,141	11,043	631,469	111,883
<u>159,519</u>	<u>26,823</u>	<u>2,256,938</u>	<u>186,444</u>
<u>241,223</u>	<u>32,108</u>	<u>5,334,279</u>	<u>217,112</u>
16,003	1,877	107,347	19,019
<u>16,003</u>	<u>1,877</u>	<u>107,347</u>	<u>19,019</u>
350,596	11,684	17,864,834	36,717
0	0	68,808	0
0	0	630,891	0
(140,772)	10,629	9,538,208	(202,576)
<u>\$ 209,824</u>	<u>\$ 22,313</u>	<u>\$ 28,102,741</u>	<u>\$ (165,859)</u>
Net Position - Above		\$ 28,102,741	
Internal Service Fund Net Position in			
Enterprise Funds		(165,859)	
Net Position of Business-type Activities		<u>\$ 27,936,882</u>	

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Business-type Activities		
	Major Funds		
	Electric Utility	Water Utility	Sewer Utility
Operating Revenues			
Charges for Service	\$ 11,994,907	\$ 1,358,714	\$ 1,618,946
Interfund Charges	0	0	0
Total Operating Revenues	11,994,907	1,358,714	1,618,946
Operating Expenses			
Electric Power Expense	8,980,757	0	0
Personal Services	493,565	434,538	431,162
Billing and Administrative	180,772	102,405	99,495
Contractual Services	158,118	59,375	70,901
Insurance	24,272	18,949	17,579
Material and Supplies	106,090	50,548	128,096
Repairs and Maintenance	4,955	77,937	147,878
Utilities	5,938	66,234	151,268
Other Expenses	87,421	12,533	15,537
Intergovernmental Charges	200,000	0	0
Depreciation	469,529	473,715	504,557
(Total Operating Expenses)	(10,711,417)	(1,296,234)	(1,566,473)
Operating Income	1,283,490	62,480	52,473
Nonoperating Revenues (Expenses)			
Investment Revenue	11,486	1,614	1,260
Interest Expense	(36,494)	(33,879)	0
Miscellaneous Income (Expense)	83,466	9,910	2,598
Total Nonoperating Revenues (Expenses)	58,458	(22,355)	3,858
Income Before Capital Contributions and Transfers	1,341,948	40,125	56,331
Capital Grants and Contributions	0	800	2,650
Transfers			
Transfers in	0	0	480,203
Transfers (out)	(2,402,939)	(224,461)	(227,692)
Total Transfers	(2,402,939)	(224,461)	252,511
Change in Net Position	(1,060,991)	(183,536)	311,492
Total Net Position, Beginning of Year	16,194,784	8,027,612	5,085,459
Adjustment to Beginning Net Position	(209,353)	(147,778)	(147,085)
Beginning of Year, as Restated	15,985,431	7,879,834	4,938,374
Total Net Position, End of Year	\$ 14,924,440	\$ 7,696,298	\$ 5,249,866

See accompanying notes.

Business-type Activities			
Major Funds	Nonmajor Fund	Total	Business-type Activities
Solid Waste Utility	Stormwater Utility	Enterprise Funds Utilities	Internal Service Fund
\$ 571,173	\$ 126,641	\$ 15,670,381	\$ 0
0	0	0	394,943
571,173	126,641	15,670,381	394,943
0	0	8,980,757	0
308,233	87,600	1,755,098	347,699
12,271	0	394,943	0
52,565	32,720	373,679	31,901
4,944	0	65,744	906
46,384	3,126	334,244	8,451
25,953	22,690	279,413	2,635
0	0	223,440	0
12,398	11,406	139,295	0
0	0	200,000	0
64,169	1,248	1,513,218	0
(526,917)	(158,790)	(14,259,831)	(391,592)
44,256	(32,149)	1,410,550	3,351
882	0	15,242	0
(386)	0	(70,759)	0
1,452	36,000	133,426	2,642
1,948	36,000	77,909	2,642
46,204	3,851	1,488,459	5,993
0	0	3,450	0
871,610	0	1,351,813	213,067
(80,664)	0	(2,935,756)	0
790,946	0	(1,583,943)	213,067
837,150	3,851	(92,034)	219,060
(537,133)	29,042	28,799,764	(277,728)
(90,193)	(10,580)	(604,989)	(107,191)
(627,326)	18,462	28,194,775	(384,919)
\$ 209,824	\$ 22,313	\$ 28,102,741	\$ (165,859)
Change in Net Position - Above		\$ (92,034)	
Internal Service Fund Activities in			
Enterprise Funds		219,060	
Change in Net Position of Business-type Activities		\$ 127,026	

See accompanying notes.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA

	Business-type Activities	
	Electric Utility	Water Utility
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 12,777,188	\$ 1,422,034
Cash from Other Sources	83,466	9,910
Cash Payments to Suppliers	(9,874,373)	(421,222)
Cash Payments to Employees	(484,552)	(419,774)
Net Cash Provided by (Used in) Operating Activities	2,501,729	590,948
Cash Flows from Noncapital Financing Activities		
Proceeds (Payments) from Interfund Loans	1,600,666	0
Transfers from Other Funds	0	0
Transfers to Other Funds	(2,402,939)	(224,461)
Net Cash Provided by (Used in) Noncapital Financing Activities	(802,273)	(224,461)
Cash Flows from Capital and Related Financing Activities		
Capital Grants Received	0	800
Acquisition of Capital Assets	(244,603)	(120,736)
Principal Paid on Debt	(236,614)	(138,616)
Interest Paid on Debt	(36,494)	(33,879)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(517,711)	(292,431)
Cash Flows from Investing Activities		
Interest on Investments	9,450	1,614
Net Cash Provided by (Used in) Investing Activities	9,450	1,614
Change in Cash and Equivalents	1,191,195	75,670
Cash and Cash Equivalents, Beginning of Year	6,066,072	1,374,346
Cash and Cash Equivalents, End of Year	\$ 7,257,267	\$ 1,450,016
Reported in the Statement of Net Position As:		
Cash and Cash Equivalents	\$ 6,646,299	\$ 1,234,109
Restricted Cash and Cash Equivalents	610,968	215,907
Total Cash and Cash Equivalents, Statement of Net Position	\$ 7,257,267	\$ 1,450,016
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>		
Operating Income	\$ 1,283,490	\$ 62,480
Depreciation	469,529	473,715
Miscellaneous Income (Expense)	83,466	9,910
Change in:		
Accounts Receivable	2,272	611
Accrued Utility Sales - Unbilled	798,615	56,509
Prepaid Expenses	0	0
Unrecovered Power Cost	(609)	0
Inventory	(9,924)	(4,954)
Accounts Payable and Accrued Liabilities	(116,126)	(28,287)
Net Pension Liability	(8,874)	(6,264)
Customer Deposits	(17,997)	6,200
Compensated Absences	17,141	15,098
OPEB Liability	746	5,930
Net Cash Provided by (Used in) Operating Activities	\$ 2,501,729	\$ 590,948

See accompanying notes.

Business-type Activities				Business-type Activities
Sewer Utility	Solid Waste Utility	Stormwater Utility	Total Utilities	Internal Service Fund
\$ 1,670,030	\$ 607,666	\$ 128,190	\$ 16,605,108	\$ 394,943
2,598	1,452	36,000	133,426	0
(640,791)	(426,831)	(85,553)	(11,448,770)	(49,263)
(416,373)	(37,204)	(79,842)	(1,437,745)	(341,191)
615,464	145,083	(1,205)	3,852,019	4,489
(459,287)	(892,274)	0	249,105	(202,677)
480,203	871,610	0	1,351,813	213,067
(227,692)	(80,664)	0	(2,935,756)	0
(206,776)	(101,328)	0	(1,334,838)	10,390
2,650	0	0	3,450	0
(137,429)	0	(9,246)	(512,014)	(17,521)
0	(36,901)	0	(412,131)	0
0	(386)	0	(70,759)	0
(134,779)	(37,287)	(9,246)	(991,454)	(17,521)
1,260	882	0	13,206	2,642
1,260	882	0	13,206	2,642
275,169	7,350	(10,451)	1,538,933	0
255,302	0	23,563	7,719,283	0
\$ 530,471	\$ 7,350	\$ 13,112	\$ 9,258,216	\$ 0
\$ 67,667	\$ 0	\$ 13,112	\$ 7,961,187	\$ 0
462,804	7,350	0	1,297,029	0
\$ 530,471	\$ 7,350	\$ 13,112	\$ 9,258,216	\$ 0
\$ 52,473	\$ 44,256	\$ (32,149)	\$ 1,410,550	\$ 3,351
504,557	64,169	1,248	1,513,218	0
2,598	1,452	36,000	133,426	0
(8,343)	5,623	1,549	1,712	0
53,657	23,520	0	932,301	0
0	0	0	0	(5,300)
0	0	0	(609)	0
233	0	0	(14,645)	0
(10,270)	2,684	(15,611)	(167,610)	(70)
(6,236)	(3,824)	(449)	(25,647)	(4,544)
5,770	7,350	0	1,323	0
15,098	(7,882)	1,498	40,953	6,737
5,927	7,735	6,709	27,047	4,315
\$ 615,464	\$ 145,083	\$ (1,205)	\$ 3,852,019	\$ 4,489

See accompanying notes.

**STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

Assets

Cash and Cash Equivalents	\$ 27,959
Investments	<u>3,466,978</u>
Total Assets	<u><u>3,494,937</u></u>

Liabilities

0

Net Position

Held in Trust for Pension Benefits	<u><u>\$ 3,494,937</u></u>
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See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

Additions

Contributions:	
Employer	\$ 130,151
Member	8,250
State	73,815
Total Contributions	<u>212,216</u>

Investment Income:	
Net Appreciation in Fair Value of Investments	(4,721)
(Less) Investment Management Fee	(15,444)
Net Investment Income	<u>(20,165)</u>

Total Additions	<u>192,051</u>
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Deductions

Member Benefits	18,780
Administration Fees	<u>1,000</u>

(Total Deductions)	<u>(19,780)</u>
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Change in Net Position	172,271
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Net Position, Beginning of Year	<u>3,322,666</u>
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Net Position, End of Year	<u><u>\$ 3,494,937</u></u>
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See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

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

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

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

Basis of Presentation

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

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

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

Fund Financial Statements

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Concluded)

The City reports the following major governmental fund:

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

The City reports the following proprietary funds:

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

The City reports the following fiduciary fund:

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

In addition, the government reports the following types of funds:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

certain intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, pension expenditures, other postretirement benefit expenditures, and expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Balance Classifications

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Restricted and Unrestricted Assets

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

Minimum Fund Balance

The City's fiscal policy establishes a reservation of fund balance equal to 90 days for utility funds and 30 days for the general fund of the current fiscal year operating budget.

Cash and Cash Equivalents

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

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the Electric Fund is net of an \$80,000 allowance and accounts receivable of the Stormwater Fund is net of a \$10,000 allowance.

Investments

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

Inventories

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

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

Capital Assets

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Concluded)

For its business-type activities, the City's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2015.

Claims and Judgments

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

Compensated Absences

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

Deferred Inflows and Outflows of Resources

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

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

Property Taxes

The Clay County Tax Collector bills and collects property taxes for the City. At September 30, 2015, the property taxes receivable were not material.

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

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

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

Note 1 - Summary of Significant Accounting Policies (Concluded)

Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted Net Position

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

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

As of September 30, 2015, there was approximately \$630,891 included in restricted net position that was restricted by enabling legislation for system improvements.

Use of Estimates

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

New Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 68

The City participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), as required in 2015. GASB 68 requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans.

The City also provides defined pension benefits to retirees through a police employees plan. As the employer, the City implemented GASB 68, as required in 2015. GASB 68 requires expanded disclosures regarding pension plans in the notes to the financial statements and requires the City to retroactively record the City's portion of the net pension liability or asset on the City's Statement of Net Position, which has an effect of increasing or decreasing the City's net position.

The beginning entity-wide net position of the City was adjusted for implementation of GASB 68 as follows:

	Governmental Activities	Business-type Activities
Net Position September 30, 2014	\$ 25,117,157	\$ 28,522,036
Net Pension Adjustment – FRS	(1,022,306)	(712,180)
Net Pension Adjustment – Police Plan	780,467	0
Restated Beginning Net Position	<u>\$ 24,875,318</u>	<u>\$ 27,809,856</u>

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

Note 2 - Deposits and Investments

Deposits

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

Investments

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

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

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

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

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

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

	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>
Investments:			
Certificates of Deposit in Qualified Public Depository, at Cost	\$ 3,200,000	<1 Year	N/A
Florida PRIME, at Amortized Cost	<u>2,764,791</u>	29 Days	AAAm (S&P)
Total	<u><u>\$ 5,964,791</u></u>		

Total investments include \$2,764,791 classified as Cash and Cash Equivalents in the accompanying financial statements.

Investments of the Pension Trust Fund are held with The Florida Municipal Investment Trust (the Trust), an external investment pool administered by the Florida League of Cities, Inc. The fair value of the position in the Trust is equal to the value of the Trust shares and are as follows:

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

Note 2 - Deposits and Investments (Continued)

Investments (Concluded)

Pension Trust Fund Investments	Amount	Weighted Average Maturity	Credit Risk
FMIvT Broad Market High Quality Bond Portfolio	\$ 587,150	4.77 Years	AA (Fitch)
FMIvT Core Plus Fixed Income	803,835	N/A	Not Rated
FMIvT High Quality Growth Portfolio	276,100	N/A	Not Rated
FMvT Large Cap Diversified Value Portfolio	262,120	N/A	Not Rated
FMIvT Russell 1000 Index Portfolio	800,341	N/A	Not Rated
FMIvT Diversified Small Cap Equity Portfolio	408,908	N/A	Not Rated
FMIvT International Blend Portfolio	328,524	N/A	Not Rated
Total Pension Trust Fund	\$ 3,466,978		

At September 30, 2015, the government's investment balances consisted of certificates of deposit with local banks and the pension trust funds held in the FMPTF. Asset allocation in the FMPTF external investment pool at September 30, 2015, is as follows:

Asset Allocation	Asset Allocation Percentage
Cash and Money Market	0.8%
Broad Market High Quality Bond Portfolio	16.8%
Core Plus	23.0%
High Quality Growth Portfolio	7.9%
Large Cap Diversified Value Portfolio	7.5%
Russell 1000 Index Portfolio	22.9%
Diversified Small Cap Equity Portfolio	11.7%
International Equity Portfolio	9.4%
Total	100.0%

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

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

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

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

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

Note 2 - Deposits and Investments (Concluded)

Restricted Cash

Restricted cash and cash equivalents at September 30, 2015, consists of the following:

Customer Deposits	\$ 597,330
Debt Sinking Fund	68,808
System Improvements	<u>630,891</u>
Total Restricted Cash	<u><u>\$ 1,297,029</u></u>

Note 3 - Interfund Balances and Transfers

The following is a summary of interfund receivables and payables at September 30, 2015:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Project Fund	\$ 175,519
General Fund	Solid Waste Fund	45,040
General Fund	Business-type Internal Service Fund	<u>1,387</u>
Total		<u><u>\$ 221,946</u></u>

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

The following is a summary of interfund transfers made during the 2015 Fiscal Year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 1,370,876	\$ (770,377)
Nonmajor Governmental Funds	770,377	0
Electric Fund	0	(2,402,939)
Water Fund	0	(224,461)
Sewer Fund	480,203	(227,692)
Solid Waste Fund	871,610	(80,664)
Internal Service Fund	<u>213,067</u>	<u>0</u>
Total	<u><u>\$ 3,706,133</u></u>	<u><u>\$ (3,706,133)</u></u>

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

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

Note 4 - Capital Assets Activity

During the year ended September 30, 2015, the following changes in capital assets occurred:

	Beginning Balance October 1, 2014	Increases	Decreases	Ending Balance September 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 8,014,273	\$ 0	\$ 0	\$ 8,014,273
Total Capital Assets Not Being Depreciated	<u>8,014,273</u>	<u>0</u>	<u>0</u>	<u>8,014,273</u>
Capital Assets Being Depreciated:				
Buildings	10,509,839	29,486	(238,142)	10,301,183
Improvements Other than Buildings	3,277,771	354,122	(72,324)	3,559,569
Machinery and Equipment	2,859,872	195,461	(176,255)	2,879,078
Infrastructure	9,043,037	155,721	0	9,198,758
Total Capital Assets Being Depreciated	<u>25,690,519</u>	<u>734,790</u>	<u>(486,721)</u>	<u>25,938,588</u>
Less Accumulated Depreciation:				
Buildings	(1,540,669)	(304,505)	238,142	(1,607,032)
Improvements Other than Buildings	(1,445,287)	(137,662)	72,324	(1,510,625)
Machinery and Equipment	(2,142,849)	(179,937)	176,255	(2,146,531)
Infrastructure	(3,263,476)	(251,265)	0	(3,514,741)
Total Accumulated Depreciation	<u>(8,392,281)</u>	<u>(873,369)</u>	<u>486,721</u>	<u>(8,778,929)</u>
Total Capital Assets Being Depreciated, Net	<u>17,298,238</u>	<u>(138,579)</u>	<u>0</u>	<u>17,159,659</u>
Governmental Activities Capital Depreciated, Net	<u><u>\$ 25,312,511</u></u>	<u><u>\$ (138,579)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 25,173,932</u></u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 227,136	\$ 0	\$ 0	\$ 227,136
Capital Assets Being Depreciated:				
Electric Transmission and Distribution Plant	17,489,933	244,603	(1,321)	17,733,215
Water/Wastewater Treatment Plant	9,743,943	120,736	(75,146)	9,789,533
Water/Wastewater Pumping and Collection Plant	14,918,268	137,428	(42,747)	15,012,949
General Plant and Equipment	4,792,574	26,767	(61,234)	4,758,107
Total Capital Assets Being Depreciated	<u>46,944,718</u>	<u>529,534</u>	<u>(180,448)</u>	<u>47,293,804</u>
Less Accumulated Depreciation:				
Electric Transmission and Distribution Plant	(10,138,341)	(469,766)	1,321	(10,606,786)
Water/Wastewater Treatment Plant	(5,840,107)	(478,464)	75,146	(6,243,425)
Water/Wastewater Pumping and Collection Plant	(7,636,912)	(499,809)	42,747	(8,093,974)
General Plant and Equipment	(2,995,566)	(65,179)	61,234	(2,999,511)
Total Accumulated Depreciation	<u>(26,610,926)</u>	<u>(1,513,218)</u>	<u>180,448</u>	<u>(27,943,696)</u>
Total Capital Assets Being Depreciated, Net	<u>20,333,792</u>	<u>(983,684)</u>	<u>0</u>	<u>19,350,108</u>
Total Business-type Activities Capital Assets, Net	<u><u>\$ 20,560,928</u></u>	<u><u>\$ (983,684)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 19,577,244</u></u>

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

Note 4 - Capital Asset Activity (Concluded)

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

Governmental Activities	
General Government	\$ 186,269
Public Safety	221,259
Transportation	360,425
Physical Environment	2,521
Culture and Recreation	<u>102,895</u>
Total Depreciation Expense - Governmental Activities	\$ <u>873,369</u>
Business-type Activities	
Electric	\$ 469,529
Water	473,715
Wastewater	504,557
Sanitation	64,169
Stormwater	<u>1,248</u>
Total Depreciation Expense - Business-type Activities	\$ <u>1,513,218</u>

Note 5 - Long-term Obligations

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

	Balance October 1, 2014	Additions	Deductions	Balance September 30, 2015	Due Within One Year
Governmental Activities					
Sales Tax Revenue Note					
Series 2013	\$ 2,025,916	\$ 0	\$ (394,354)	\$ 1,631,562	\$ 399,696
Compensated Absences	513,013	219,832	(201,438)	531,407	159,448
Net Pension Liability	692,194	374,859	0	1,067,053	0
Net OPEB Obligation	<u>205,853</u>	<u>14,177</u>	<u>0</u>	<u>220,030</u>	<u>0</u>
Total Governmental Activities	\$ <u>3,436,976</u>	\$ <u>608,868</u>	\$ <u>(595,792)</u>	\$ <u>3,450,052</u>	\$ <u>559,144</u>
Business-type Activities					
Electric Capital					
Improvement Note	\$ 1,134,329	\$ 0	\$ (236,619)	\$ 897,710	\$ 245,185
Water Capital					
Improvement Note	916,599	0	(138,617)	777,982	143,991
Equipment Note –					
Sanitation	36,896	0	(36,896)	0	0
Compensated Absences	372,147	142,500	(94,811)	419,836	125,952
Net Pension Liability	482,211	261,141	0	743,352	0
Net OPEB Obligation	<u>88,266</u>	<u>31,364</u>	<u>0</u>	<u>119,630</u>	<u>0</u>
Total Business-type Activities	\$ <u>3,030,448</u>	\$ <u>435,005</u>	\$ <u>(506,943)</u>	\$ <u>2,958,510</u>	\$ <u>515,128</u>

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

Note 5 - Long-term Obligations (Continued)

Notes Payable

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

improvements to the City's electrical distribution system.

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

This note is payable from and secured by the net revenues of the City's electric utility system. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$963,311. During 2015, approximately \$1,273,128 of net revenue from the City's electric utility system was recognized, and \$275,232 was paid for debt service.

\$ 897,710

\$1,650,000 - 2008 Water Revenue Note, for improvements to the City's water system. The note is payable in semi-annual installments of \$86,248 (including interest of 3.84%) through October 1, 2020. This note is payable from and secured by the net revenues of the City's utility system. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$862,480. During 2015, approximately \$33,929 of net revenue from the City's water utility system and \$1,381,746 of supplemental pledged revenue from the City's electric and wastewater utility systems was recognized, and \$172,496 was paid for debt service.

777,982

\$190,182 - 2011 Equipment Note, for the purchase of two garbage trucks. The note is payable in quarterly installments of \$12,429 (including interest of 2.125%) beginning October 13, 2011 through July 13, 2015. This note is payable from and secured by the net revenues of the City's utility system. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$0. During 2015, approximately \$1,410,550 of net revenue from the City's utility systems was recognized, and \$37,287 was paid for debt service.

0

\$2,415,000 - Sales Tax Revenue Note, Series 2013, for the construction of the City's new police station and emergency operations center. The note is payable in semi-annual installments of \$210,189 (including interest of 1.35%) beginning January 1, 2014 through July 1, 2019. This note is payable from and secured solely by Sales Tax Revenue. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$1,681,510. During 2015, approximately \$752,653 of net revenue from discretionary sales surtax was recognized, and \$420,377 was paid for debt service.

1,631,562

Total Notes Payable

\$ 3,307,254

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

Note 5 - Long-term Obligations (Concluded)

The annual requirements to amortize notes payable as of September 30, 2015, are as follows:

Governmental Funds

Year Ending September 30,	Principal	Interest	Total
2016	\$ 399,696	\$ 20,682	\$ 420,378
2017	405,110	15,268	420,378
2018	410,597	9,780	420,377
2019	416,159	4,218	420,377
Total	\$ 1,631,562	\$ 49,948	\$ 1,681,510

Proprietary Funds

Year Ending September 30,	Principal	Interest	Total
2016	\$ 389,176	\$ 58,552	\$ 447,728
2017	403,639	44,089	447,728
2018	418,641	29,087	447,728
2019	296,584	13,528	310,112
2020	167,652	4,844	172,496
Total	\$ 1,675,692	\$ 150,100	\$ 1,825,792

Interest Expense

Interest expense is included as a direct function expense of the electric utilities, water utilities, and sanitation in the amounts of \$36,494, \$33,879, and \$386, respectively.

Note 6 - Retirement Plans

The City participates in the following pension plans:

Florida Retirement System (FRS)

General Information about the Florida Retirement System

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

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action

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

Note 6 - Retirement Plan (Continued)

Florida Retirement System (Continued)

General Information about the Florida Retirement System (Concluded)

from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site (www.dms.myflorida.com).

The City's pension expense totaled \$249,147 for the fiscal year ended September 30, 2015, (all plans).

FRS Pension Plan

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

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

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

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

Note 6 - Retirement Plan (Continued)

Florida Retirement System (Continued)

FRS Pension Plan (Continued)

Plan Description. (Concluded)

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

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

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

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

Note 6 - Retirement Plan (Continued)

Florida Retirement System (Continued)

FRS Pension Plan (Continued)

Benefits Provided. (Concluded)

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the City's 2014-15 fiscal year were as follows:

Class	Year Ended June 30, 2015		Year Ended June 30, 2016	
	Percent of Gross Salary		Percent of Gross Salary	
	Employee	Employer	Employee	Employer
FRS, Regular	3.00	6.07	3.00	5.56
FRS, Elected Officers	3.00	41.94	3.00	40.57
FRS, Senior Management				
Service	3.00	19.84	3.00	19.73
FRS, Special Risk Regular	3.00	18.52	3.00	20.34
DROP – Applicable to				
Members from All of				
the Above Classes	0.00	11.02	0.00	11.22
FRS, Reemployment				
Retiree	(1)	(1)	(1)	(1)

The City's contributions to the Plan totaled \$206,890 for the fiscal year ended September 30, 2015. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the City reported a liability of \$1,029,986 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the fiscal year 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportion increased .000399728%, from its proportion measured as of June 30, 2014.

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

Note 6 - Retirement Plan (Continued)

Florida Retirement System (Continued)

FRS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	(Deferred Inflows of Resources)
Employer Contributions after Measurement Date	\$ 53,009	\$ 0
Difference Between Expected and Actual Experience	108,736	(24,428)
Changes of Assumptions	68,363	0
Changes in Proportion and Difference Between City Contributions and Proportionate Share of Contributions	151,963	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	(245,944)
Total	\$ 382,071	\$ (270,372)

The deferred outflows of resources related to pensions, totaling \$53,009, resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
2016	\$ (48,442)
2017	(48,442)
2018	(48,442)
2019	154,469
2020	40,422
2021	9,125
Total	\$ 58,690

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	7.65% Net of Pension Plan Investment Expense, Including Inflation

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

Note 6 - Retirement Plan (Continued)

Florida Retirement System (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions. (Concluded)

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Annual Target Allocation ⁽¹⁾	Annual Arithmetic Return	Geometric Return	Standard Deviation
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed Inflation – Mean		2.6%		1.9%

⁽¹⁾ As Outlined in the FRS Pension Plan's Investment Policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate was 7.65% in the July 1, 2015 valuation.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

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

Note 6 - Retirement Plan (Continued)

Florida Retirement System (Continued)

FRS Pension Plan (Concluded)

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. (Concluded)

FRS: Green Cove Springs

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's Proportionate Share of the Net Pension Liability	\$ 2,668,928	\$ 1,029,986	\$ (333,882)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Plan fiscal years ended June 30, 2016 and 2015, the contribution rates were 1.26% and 1.66% of payroll respectively, pursuant to Section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$32,711 for the fiscal year ended September 30, 2015.

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

Note 6 - Retirement Plan (Continued)

Florida Retirement System (Continued)

HIS Pension Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the City reported a net pension liability of \$780,419 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share decreased .000034951%, from its proportionate share measured as of June 30, 2014.

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

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>(Deferred Inflows of Resources)</u>
Employer Contributions after Measurement Date	\$ 10,941	\$ 0
Changes of Assumptions	61,399	0
Changes in Proportion and Difference between City Contributions and Proportionate Share of Contributions	2,713	(37,726)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	80	342
Total	<u>\$ 75,133</u>	<u>\$ (37,384)</u>

The deferred outflows of resources related to pensions, totaling \$10,941, resulting from City contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2016	\$ 3,875
2017	3,875
2018	3,875
2019	3,790
2020	3,748
2021-2022	7,646
Total	<u>\$ 26,809</u>

Actuarial Assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Note 6 - Retirement Plan (Continued)

Florida Retirement System (Concluded)

HIS Pension Plan (Concluded)

Actuarial Assumptions. (Concluded)

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	3.80% Net of Pension Plan Investment Expense, Including Inflation

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

The actuarial assumptions used in the July 1, 2015 valuation, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.80%) or 1-percentage-point higher (4.80%) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
City's Proportionate Share of the Net Pension Liability	\$ 889,252	\$ 780,419	\$ 689,670

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

FRS – Defined Contribution Pension Plan

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

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

Note 6 - Retirement Plans (Continued)

FRS – Defined Contribution Pension Plan (Concluded)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. City's employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City's Investment Plan contributions totaled \$9,546 for the fiscal year ended September 30, 2015.

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

Note 6 - Retirement Plans (Continued)

Florida Municipal Pension Trust for Police Officers

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

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

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

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

Membership in the Plan as of September 30, 2015, Consisted of:

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

The Following was the Board's Adopted Allocation Policy as of September 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Core Bonds	17%	5.88%
Multi-sector	25%	6.37%
U.S. Large Cap Equity	37%	9.27%
U.S. Small Cap Equity	11%	9.83%
Non-U.S. Equity	<u>10%</u>	<u>9.03%</u>
Total	<u><u>100%</u></u>	

Expected Rate of Return. For the year ended September 30, 2015, the weighted arithmetic average rate of return on the pension plan investments, net of pension plan investment expense, was 8.07%.

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

Note 6 - Retirement Plans (Continued)

Florida Municipal Pension Trust for Police Officers (Continued)

Net Pension Liability. The components of the net pension liability of the sponsor on September 30, 2015, were as follows:

Total Pension Liability	\$ 2,886,388
Plan Fiduciary Net Position	<u>(3,495,232)*</u>
Sponsor's Net Position Asset	<u>\$ (608,844)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	121.09%

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

Actuarial Assumptions. The Total Pension Liability was determined by an actuarial valuation as of October 1, 2014, updated to September 30, 2015, using the following actuarial assumptions:

Projected Salary Increases	4.00%
Inflation Rate	1.50%
Discount Rate	8.07%

Mortality Rate: RP 2000 Combined Healthy (sex distinct), projected to the valuation year using scale AA.

Comparison of Net Pension Liability Using Alternative Discount Rates:

	<u>Discount Rate</u> <u>- 1.00%</u>	<u>8.07%</u> <u>Discount Rate</u>	<u>Discount Rate</u> <u>+ 1.00%</u>
Total Pension Liability	\$ 3,375,463	\$ 2,886,388	\$ 2,485,702
(Less Fiduciary Net Position)	<u>(3,495,232)</u>	<u>(3,495,232)</u>	<u>(3,495,232)</u>
Net Pension Asset	<u>\$ (119,769)</u>	<u>\$ (608,844)</u>	<u>\$ (1,009,530)</u>

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

	<u>Total Pension</u> <u>Liability (a)</u>	<u>Plan Fiduciary</u> <u>Net Position (b)</u>	<u>Net Pension</u> <u>Asset (a-b)</u>
Reporting Period Ended September 30, 2014	\$ 2,556,312	\$ (3,323,112)	\$ (766,800)
Change for a Year:			
Service Cost	150,177	0	150,177
Interest	216,948	0	216,948
Differences between Expected and Actual Experience	0	4,721	4,721
Demographic Experience	(18,269)	0	(18,269)
Contributions - Employer	0	(203,965)	(203,965)
Contributions - Employee	0	(8,100)	(8,100)
Benefit Payments, Including Refunds of Employee Contributions	(18,780)	18,780	0
Administrative Expense	0	16,444	16,444
Reporting Period Ended September 30, 2015	<u>\$ 2,886,388</u>	<u>\$ (3,495,232)</u>	<u>\$ 608,844</u>

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

Note 6 - Retirement Plans (Continued)

Florida Municipal Pension Trust for Police Officers (Concluded)

Pension Expense. For the year ended September 30, 2015, the City recognized Pension Expense of \$203,965.

Deferred Inflow and Deferred Outflow of Resources. On September 30, 2015, the City reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Demographic Experience	\$ 0	\$ (18,269)
Net Differences between Projected and Actual Earnings		
on Pension Plan Investments	<u>223,914</u>	<u>(4,624)</u>
Total	<u><u>\$ 223,914</u></u>	<u><u>\$ (22,893)</u></u>

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

<u>Fiscal Year Ending</u>	<u>Amount</u>
2016	\$ 52,863
2017	52,863
2018	52,863
2019	54,796
2020	(1,181)
Thereafter	<u>(11,183)</u>
Total	<u><u>\$ 201,021</u></u>

General Employees' Money Purchase Plan

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

Funding Policy. The City is required to contribute 10% of each participant's annual covered salary. The City's contributions to the Plan for the years ended September 30, 2015, 2014, and 2013, were \$57,850, \$60,849, and \$70,625, respectively, equal to the required contributions for each year.

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

Note 6 - Pension Plans (Concluded)

ICMA Retirement Plan

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

Funding Policy. During the year ended September 30, 2015, the City made approximately \$22,893 in contributions on eligible compensation, or 15% of covered payroll. There were no participant contributions for the year.

Note 7 - Other Postemployment Benefits Plan

Plan Description

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

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

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

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

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

Note 7 - Other Postemployment Benefits Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation (Concluded)

Annual Required Contribution (ARC)	\$ 80,869
Interest on Net OPEB Obligation	11,535
Adjustment to ARC	<u>(16,736)</u>
Annual OPEB Cost (Expense)	75,668
(Contributions Made)	<u>(30,130)</u>
Increase in Net OPEB Obligation	45,538
Net OPEB Obligation, Beginning of Year	<u>288,368</u>
Net OPEB Obligation, End of Year	<u><u>\$ 333,906</u></u>

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

Trend Information

Year Ended September 30	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation
2015	\$ 75,668	\$ 30,130	39.80%	\$ 333,906
2014	66,463	27,582	41.50%	288,368
2013	85,249	24,722	29.00%	245,821

Actuarial Methods and Assumptions

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

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

Actuarial Methods

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

Actuarial Assumptions

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

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

Note 7 - Other Postemployment Benefits Plan (Concluded)

Funding Status and Funding Progress

The OPEB payments made for the 2015 fiscal year were 39.80% of the annual OPEB cost. As of the actuarial valuation report dated October 1, 2014, the actuarial value of assets was \$0, the actuarial accrued liability was \$506,735, the unfunded actuarial accrued liability (UAAL) was also \$506,735, the funded ratio was 0%, the covered payroll was \$3,361,442, and the UAAL as a percentage of covered payroll was 15.10%.

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

Note 8 - Risk Management

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

Note 9 - Power Supply Agreements

General

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

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

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

St. Lucie Project

In May 1983, FMPA issued \$290,000,000 St. Lucie Project Revenue Bonds, Series 1983 (Series 1983) in order to purchase an 8.806% undivided ownership interest in Florida Power and Light Company's (FP&L) St. Lucie Unit No. 2. In March 1986, FMPA issued \$284,810,000 in St. Lucie Project Refunding Revenue Bonds, Series 1986, to advance refund \$250,910,000 of the outstanding Series 1983 bonds in a legal defeasance of that portion of the Series 1983 bonds. In July 1992, FMPA issued \$326,090,000 St. Lucie Project Refunding Revenue Bonds, Series 1992 (Series 1992), to advance refund in the prior two issues. In 2000 and 2002, FMPA issued two additional refunding bonds to partially refund the 1992 issue. In addition, FMPA has issued several additional bonds. At September 30, 2015, the total outstanding amount related to the St. Lucie Project is \$330,630,000. The City is contingently liable for 1.757% of the total amount of outstanding debt, (approximately \$5,809,169) at September 30, 2015.

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

Note 9 - Power Supply Agreements (Concluded)

St. Lucie Project (Concluded)

Pursuant to a power sales contract and a project support contract with FMPA, the City acquired an entitlement share of 1.757% (approximately 1.241MW) of FMPA's 8.806% interest in St. Lucie No. 2. Payments are required by the City whether or not the St. Lucie Project is operable or operating, and are due each month based upon a budget prepared by FMPA, adjusted annually. Total costs under this contract during 2015 were \$926,680.

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 2015 were \$8,054,077.

Note 10 - Commitments and Contingencies

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

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

Note 11 - Deficit Net Position

As of September 30, 2015, the Police Building Construction Fund had deficit net position of \$175,518.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 2,664,346	\$ 2,664,346	\$ 2,725,016	\$ 60,670
Licenses and Permits	7,000	7,000	7,316	316
Intergovernmental	685,601	685,601	690,387	4,786
Charges for Services	45,225	45,225	51,609	6,384
Fines and Forfeitures	456,680	456,680	545,478	88,798
Investment Earnings	4,100	4,100	4,372	272
Miscellaneous	128,784	128,784	53,447	(75,337)
Interfund Charges	200,000	200,000	200,000	0
Total Revenues	<u>4,191,736</u>	<u>4,191,736</u>	<u>4,277,625</u>	<u>85,889</u>
Expenditures				
Current:				
General Government	1,497,328	1,490,270	1,307,073	183,197
Public Safety	2,288,515	2,380,374	2,376,374	4,000
Physical Environment	111,877	129,230	114,784	14,446
Transportation	1,415,347	1,431,143	1,016,438	414,705
Culture and Recreation	753,766	407,300	337,375	69,925
(Total Expenditures)	<u>(6,066,833)</u>	<u>(5,838,317)</u>	<u>(5,152,044)</u>	<u>686,273</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(1,875,097)</u>	<u>(1,646,581)</u>	<u>(874,419)</u>	<u>772,162</u>
Other Financing Sources (Uses)				
Transfers in	1,370,877	1,370,877	1,370,877	0
Transfers (out)	(421,000)	(771,000)	(770,377)	623
Total Other Financing Sources	<u>949,877</u>	<u>599,877</u>	<u>600,500</u>	<u>623</u>
Net Change in Fund Balance	(925,220)	(1,046,704)	(273,919)	772,785
Fund Balances, Beginning of Year	<u>925,220</u>	<u>1,046,704</u>	<u>2,720,807</u>	<u>1,674,103</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,446,888</u>	<u>\$ 2,446,888</u>

NOTES TO BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA

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

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

Fiscal Year Ended September 30,	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 150,177	\$ 150,177
Expected Interest Growth	216,948	(49,064)
Demographic Gain/Loss	(18,269)	(1,935)
Employee Contributions	0	(7,497)
Benefit Payments and Refunds	(18,780)	(13,844)
Administrative Expenses	0	23,305
Net Change in Total Pension Liability	<u>330,076</u>	<u>101,142</u>
Total Pension Liability - Beginning	<u>2,556,312</u>	<u>2,455,170</u>
Total Pension Liability - Ending (a)	<u><u>\$ 2,886,388</u></u>	<u><u>\$ 2,556,312</u></u>
Plan Fiduciary Net Position		
Contributions	212,216	195,747
Net Investment Income	(4,872)	256,130
Benefit Payments, Including Refunds of Employee Contributions	(18,780)	(22,317)
Administrative Expense	(16,444)	(23,305)
Net Change in Plan Fiduciary Net Position	<u>172,120</u>	<u>406,255</u>
Plan Fiduciary Net Position - Beginning	<u>3,323,112</u>	<u>2,916,857</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 3,495,232</u></u>	<u><u>\$ 3,323,112</u></u>
Net Pension Asset - Ending (a) - (b)	<u><u>\$ (608,844)</u></u>	<u><u>\$ (766,800)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	121.09%	130.00%
Covered Employee Payroll	N/A	\$ 693,444
Net Pension Asset as a Percentage of Covered Employee Payroll	N/A	-110.58%

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

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

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 203,387	\$ 212,216	\$ (8,829)	N/A	N/A
2014	188,250	193,375	(5,125)	\$ 693,444	27.89%
2013	231,594	231,594	0	N/A	N/A
2012	218,682	218,682	0	719,300	30.40%
2011	218,693	218,693	0	727,111	30.08%
2010	249,232	249,232	0	725,727	34.34%
2009	204,951	204,951	0	N/A	N/A
2008	197,286	197,286	0	651,768	30.27%
2007	245,011	245,011	0	N/A	N/A
2006	101,508	101,508	0	482,796	21.03%

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

Note to Schedule

Actuarial Methods and Assumptions

Employer's Reporting Date: September 30, 2015
Measurement Date: September 30, 2015
Actuarial Valuation Date: October 1, 2013

Actuarial Assumptions

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

Salary Increases: 4% per annum

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

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

Retirement: Normal Retirement Rate

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

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

Changes: The actuarial assumptions did not change from the prior measurement date.

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

FLORIDA RETIREMENT SYSTEM PENSION PLAN

	September 30, 2015
Proportion of the FRS Net Pension Plan	0.007974291%
Proportionate Share of the FRS Net Pension Plan	\$ 1,029,986
Covered-Employee Payroll**	\$ 2,386,450
Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	43.16%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%

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

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

HEALTH INSURANCE SUBSIDY PENSION PLAN

	September 30, 2015
Proportion of the HIS Net Pension Plan	0.007652351%
Proportionate Share of the HIS Net Pension Plan	\$ 780,419
Covered-Employee Payroll*	\$ 2,386,450
Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered-Employee Payroll	32.70%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.50%

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

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

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF CITY CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS
SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

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

HEALTH INSURANCE SUBSIDY PENSION PLAN

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA

Note I - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in Benefit Terms

No significant changes.

Changes in Assumptions

- **FRS**—In the July 1, 2014 actuarial valuation, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%.
- **HIS**—In the July 1, 2014 actuarial valuation, the municipal rate used to determine total pension liability decreased from 4.28% to 3.80%.

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

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

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

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

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

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

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

Year Ended	Annual Required Contributions	Actual Employer Contributions	Percentage Contributed
9/30/2015	\$ 75,668	\$ 30,130	39.8%
9/30/2014	66,463	27,582	41.5%
9/30/2013	85,249	24,722	29.0%
9/30/2012	61,766	22,442	36.3%
9/30/2011	90,012	31,296	34.8%
9/30/2010	90,012	31,296	34.8%

Notes:

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

SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

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

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

CAPITAL PROJECTS FUNDS

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		
	<u>Special Law Enforcement Fund</u>	<u>Building Permit Fund</u>	<u>Police Building Construction</u>	<u>Spring Park</u>	<u>Total</u>
Assets					
Cash and Cash Equivalents	\$ 9,064	\$ 262,895	\$ 0	\$ 15,046	\$ 287,005
Total Assets	<u>9,064</u>	<u>262,895</u>	<u>0</u>	<u>15,046</u>	<u>287,005</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable and Accrued Liabilities	0	85,725	0	0	85,725
Due to Other Funds	<u>0</u>	<u>0</u>	<u>175,519</u>	<u>0</u>	<u>175,519</u>
Total Liabilities	<u>0</u>	<u>85,725</u>	<u>175,519</u>	<u>0</u>	<u>261,244</u>
Fund Balances					
Restricted for:					
Capital Projects	0	0	0	15,046	15,046
Public Safety	9,064	177,170	0	0	186,234
Unrestricted	<u>0</u>	<u>0</u>	<u>(175,519)</u>	<u>0</u>	<u>(175,519)</u>
Total Fund Balances	<u>9,064</u>	<u>177,170</u>	<u>(175,519)</u>	<u>15,046</u>	<u>25,761</u>
Total Liabilities and Fund Balances	<u>\$ 9,064</u>	<u>\$ 262,895</u>	<u>\$ 0</u>	<u>\$ 15,046</u>	<u>\$ 287,005</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF GREEN COVE SPRINGS, FLORIDA**

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		
	<u>Special Law Enforcement Fund</u>	<u>Building Permit Fund</u>	<u>Police Building Construction</u>	<u>Spring Park</u>	<u>Total</u>
Revenues					
License and Permits	\$ 0	\$ 339,419	\$ 0	\$ 0	\$ 339,419
Miscellaneous	4,259	14,112	0	0	18,371
Total Revenues	<u>4,259</u>	<u>353,531</u>	<u>0</u>	<u>0</u>	<u>357,790</u>
Expenditures					
Current:					
Public Safety	401	183,440	0	0	183,841
Capital Outlay	0	20,818	0	334,954	355,772
Principle Payments	0	0	394,354	0	394,354
Interest and Fees	0	0	26,023	0	26,023
(Total Expenditures)	<u>401</u>	<u>204,258</u>	<u>420,377</u>	<u>334,954</u>	<u>959,990</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,858</u>	<u>149,273</u>	<u>(420,377)</u>	<u>(334,954)</u>	<u>(602,200)</u>
Other Financing Sources (Uses)					
Transfers from Other Funds	0	0	420,376	350,000	770,376
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>420,376</u>	<u>350,000</u>	<u>770,376</u>
Net Change in Fund Balance	3,858	149,273	(1)	15,046	168,176
Fund Balances, Beginning of Year	<u>5,206</u>	<u>27,897</u>	<u>(175,518)</u>	<u>0</u>	<u>(142,415)</u>
Fund Balances, End of Year	<u>\$ 9,064</u>	<u>\$ 177,170</u>	<u>\$ (175,519)</u>	<u>\$ 15,046</u>	<u>\$ 25,761</u>

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Green Cove Springs, Florida (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Certified Public Accountants

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Purvis, Gray and Company, LLP". The signature is written in a cursive, flowing style.

June 10, 2016
Gainesville, Florida

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

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

Report on Compliance

We have examined the City of Green Cove Springs, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2015, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

Restriction on Use

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


June 10, 2016
Gainesville, Florida

Certified Public Accountants

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Green Cove Springs, Florida (the City) as of and for the year ended September 30, 2015, and have issued our report thereon dated June 10, 2016.

Auditors' Responsibility

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

Other Reports

We have issued our independent auditors' report on internal control over financial reporting and compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards* and independent accountant's report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 10, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Tabulation of Uncorrected Audit Findings		
Current Year Finding Number	2013-2014 FY Finding Number	2012-2013 FY Finding Number
2015-01	2014-01	N/A

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

Official Title and Legal Authority

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

Certified Public Accountants

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MANAGEMENT LETTER
(Continued)

Financial Condition

- Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

2015-01 Electric Utility Billing

Condition—During the 2014 audit, it was noted that changes in billing processes had elevated unbilled utility usage to over \$1.7 million or roughly 45 days unbilled as of September 30, 2014. As unbilled usage increased, however, the City billed and collected power cost recovery in excess of actual power cost per kilowatt-hour invoiced. As a result, power costs recovered in advance accumulated to over \$1.1 million at September 30, 2014, which was in excess of the power cost collected in advance limits set by City ordinance. It was determined that the net effect of these items had relatively little impact upon the invoices billed to and paid by the City's electric utility customers. Management took immediate steps to correct this issue during the 2015 fiscal year including reducing unbilled utility usage, amending the ordinance that limits the allowable amount of power costs recovered in advance, and significantly reducing the City's bulk power cost adjustment. The results of these changes had a positive impact on the identified issue, however, at September 30, 2015 the City was not yet in compliance with City ordinance limiting the allowable amount of power cost collected in advance. It should be noted that according to unaudited City records, this issue was fully corrected as of February 2016.

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

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

MANAGEMENT LETTER
(Concluded)

Other Matters (Concluded)

2015-01 Electric Utility Billing (Concluded)

Recommendation—We recommend the City continue to reverse the trend of under-billing volume and over-recovering power cost per kilowatt-hour. As noted above, the City has completed that process as of February 2016.

- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

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


June 10, 2016
Gainesville, Florida



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June 9, 2016

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

Dear Mr. Martin:

Pursuant to the provisions of Section 218.39(6) Florida Statutes, the following are the responses to the audit of the City of Green Cove Springs conducted by Purvis, Gray and Company, CPAs for the period October 1, 2014 to September 30, 2015.

2015-01 Electric Utility Billing:

Auditor's Comment:

During the 2014 audit, it was noted that changes in billing processes had elevated unbilled utility usage to over \$1.7 million or roughly 45 days unbilled as of September 30, 2014. As unbilled usage increased, however, the City billed and collected power cost recovery in excess of actual power cost per kilowatt-hour invoiced. As a result, power costs recovered in advance accumulated to over \$1.1 million at September 30, 2014, which was in excess of the power cost collected in advance limits set by City ordinance. It was determined that the net effect of these items had relatively little impact upon the invoices billed to and paid by the City's electric utility customers. Management took immediate steps to correct this issue during the 2015 fiscal year including reducing unbilled utility usage, amending the ordinance that limits the allowable amount of power costs recovered in advance, and significantly reducing the City's bulk power cost adjustment. The results of these changes had a positive impact on the identified issue, however, at September 30, 2015 the City was not yet in compliance with City ordinance limiting the allowable amount of power cost collected in advance. It should be noted that according to unaudited City records, this issue was fully corrected as of February 2016.

Management's Response:

The city had accumulated approximately 45 days of unbilled retail sales (\$1.7 Million) at the end of fiscal year 2014. These revenues should have been collected from its customers during the fiscal year. Historically, this number should range between \$492,000 and \$643,000 since there will always be a portion of sales that will lag behind the bill that the City receives from its wholesale provider. However,

in this particular case the amount of unbilled retail sales was larger than customary and the direct result of the City's attempt to stabilize its customer's monthly bills by generating bills on a 29 day cycle, in lieu of at least a 30-33 day cycle.

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

Another unintended consequence of billing in 29 days cycles is that our bulk power cost adjustment does not in every instance correspond with the year ending retail sales figure. In fiscal year 2014, it resulted in \$1.1 Million over recovery due to unbilled retail sales calculated by the Auditor. Our policy provides guidance on the cumulative amount that may accrue from bulk power cost adjustments. It recommends that no more than 8% (this changed from 6% to 8% during Fiscal Year 2015) of the annual bulk power cost supply (\$9.5 Million for Fiscal Year 2015), without appropriate adjustments, be collected in any given year. For Fiscal Year 2015, the range should have been closer to \$763,440.

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

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

The steps that the City took in January 2015 has brought the bulk power cost adjustments in line but we were unable to bring the bulk power cost adjustments into total agreement with the 8% range as recommended by the City's policy by September 30, 2015. This is due in large part to recovering the unbilled retail sales and starting the process with nine months remaining in Fiscal Year 2015. During Fiscal Year 2016, the City has continued to recover the remaining unbilled retail sales and make the appropriate adjustments to the bulk power cost adjustment. As the Auditors noted in their comment, this issue has been fully corrected as of February 2016 with the unbilled retail sales being billed and the bulk power cost adjustment balance is less than the 8% range per the City's policy.

Respectfully submitted,


Danielle J. Judd
City Manager