

City of Port St. Joe, Florida

**Annual Financial Statements
September 30, 2014**

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CITY OF PORT ST. JOE, FLORIDA
SEPTEMBER 30, 2014

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CITY OF PORT ST. JOE, FLORIDA
SEPTEMBER 30, 2014

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Port St. Joe, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Port St. Joe, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, and each major fund, of the City of Port St. Joe, Florida, as of September 30, 2014, and the respective changes in

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for the retiree's health insurance other post employment benefit plan and schedule of employer contributions for retiree's health insurance other post employment benefit plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, 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

The accompanying schedules of expenditures of federal awards, and state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2015, on our consideration of the City of Port St. Joe, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Port St. Joe, Florida's internal control over financial reporting and compliance.

Vance CPA LLC

Vance CPA LLC

May 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The City of Port St. Joe's (the City) management discussion and analysis 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 and concerns.

Since management's discussion and analysis (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.

Financial Highlights

- The assets of the City of Port St. Joe exceeded its liabilities at September 30, 2014 by \$65,126,916 (net position). Of this amount, \$4,083,199 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$1,871,378.
- As of September 30, 2014, the City of Port St. Joe's general fund reported an ending fund balance of \$6,008,507, a decrease of \$257,534 from prior year. \$5,870,127 of this amount is available for spending at the City's discretion (unassigned fund balance).
- Long-term debt of City decreased \$239,826 from the prior year, while the liability for compensated absences decreased \$68,967.

Overview of the Financial Statements

The financial statements' focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

This discussion and analysis is intended to serve as an introduction to the City of Port St. Joe's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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 manner similar to a private-sector business. The focus is on major funds, rather than fund types.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The focus on the statement of net position (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental

fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decrease 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, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and business-type activities.

Both of these 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, administration, economic environment, streets and highways, public safety, and culture and recreation. The business-type activities of the City include water, sewer, wastewater and solid waste utilities.

The government-wide financial statements include the City of Port St. Joe (known as the primary government) and the Port St. Joe Downtown Redevelopment Agency, a blended component unit.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the 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 two categories: governmental funds, and proprietary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds

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 the City'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 City'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.

The City maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and the special revenue fund. Only the general fund is a major fund.

The City adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains three proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and wastewater and solid waste activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not utilize internal service funds.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Infrastructure Assets

Generally a government's largest group of assets (infrastructure – roads, bridges, traffic signals, and underground pipes not associated with a utility, etc.) are neither reported nor depreciated in governmental fund financial statements. Standards require that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its costs of maintenance in lieu of depreciation. The City has elected to depreciate its infrastructure assets.

Government-wide Financial Analysis

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceeded liabilities by \$65,126,916.

The following table reflects the condensed Statement of Net Position for the current year. For more detailed information, see the Statement of Net Position.

<u>September 30,</u>	<u>Net Position</u>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Current/other assets	\$ 6,554,573	\$ 6,525,223	\$ (1,200,559)	\$ (742,067)	\$ 5,354,014	\$ 5,783,156
Capital assets	<u>11,352,739</u>	<u>11,369,897</u>	<u>70,531,807</u>	<u>68,268,091</u>	<u>81,884,546</u>	<u>79,637,988</u>
Total assets	<u>17,907,312</u>	<u>17,895,120</u>	<u>69,331,248</u>	<u>67,526,024</u>	<u>87,238,560</u>	<u>85,421,144</u>
Current liabilities	150,673	434,833	394,053	473,158	544,726	907,991
Noncurrent liabilities	<u>625,489</u>	<u>412,428</u>	<u>19,283,428</u>	<u>18,973,809</u>	<u>19,908,917</u>	<u>19,386,237</u>
Total liabilities	<u>776,162</u>	<u>847,261</u>	<u>19,677,481</u>	<u>19,446,967</u>	<u>20,453,643</u>	<u>20,294,228</u>
Net investment in capital assets	11,014,635	11,106,736	51,751,190	49,793,906	62,765,825	60,900,642
Net Position - restricted	159,966	143,075	—	—	159,966	143,075
Net Position - Unrestricted	<u>5,956,549</u>	<u>5,798,048</u>	<u>(2,097,423)</u>	<u>(1,714,849)</u>	<u>3,859,126</u>	<u>4,083,199</u>
Total net position	<u>\$17,131,150</u>	<u>\$17,047,859</u>	<u>\$49,653,767</u>	<u>\$ 48,079,057</u>	<u>\$ 66,784,917</u>	<u>\$65,126,916</u>

Ninety-four percent (94%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, equipment, wastewater treatment plant and improvements, water and sewer distribution system, and freshwater canal). The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Debt associated with the City's capital assets amount to \$18,737,346.

The balance of unrestricted net position (\$4,083,199) may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2014, the City reports positive balances in all categories of net position except unrestricted net position in the business-type activities. The same as in the prior year.

The following schedule provides a summary of the changes in net position for the years ended September 30, 2014 and 2013.

Changes in Net Position

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Program Revenues -						
Charges for services	\$ 64,067	\$ 176,196	\$ 5,433,798	\$ 5,548,796	\$ 5,497,865	\$ 5,724,992
Operating grants and contributions	100,616	40,923	—	—	100,616	40,923
Capital grants and contributions	269,354	943,496	575,089	622,825	844,443	1,566,321
General Revenues -						
Ad valorem taxes	1,164,247	1,106,000	—	—	1,164,247	1,106,000
Utility taxes/franchise fees	601,029	643,750	—	—	601,029	643,750
Sales tax and other	397,154	216,229	—	—	397,154	216,229
Interest	6,626	5,632	793	672	7,419	6,304
Other	727,649	(464,790)	—	(389,024)	727,649	(853,814)
Transfers	—	—	—	—	—	—
Total revenues	<u>3,330,742</u>	<u>2,667,436</u>	<u>6,009,680</u>	<u>5,783,269</u>	<u>9,340,422</u>	<u>8,450,705</u>
Expenses						
City commission	62,114	66,795	—	—	62,114	66,795
Administration	518,994	399,504	—	—	518,994	399,504
Police	669,865	701,011	—	—	669,865	701,011
Fire	153,679	110,812	—	—	153,679	110,812
Highways and streets	769,698	690,270	—	—	769,698	690,270
Economic environment	128,359	151,367	—	—	128,359	151,367
Parks and cemeteries	433,173	472,123	—	—	433,173	472,123
Human services	36,140	37,496	—	—	36,140	37,496
Maintenance shop	100,526	89,562	—	—	100,526	89,562
Nondepartmental	131,665	179,092	—	—	131,665	179,092
Water	—	—	2,700,492	2,808,973	2,700,492	2,808,973
Sewer	—	—	3,458,322	3,736,016	3,458,322	3,736,016
Sanitation	—	—	<u>802,018</u>	<u>879,062</u>	<u>802,018</u>	<u>879,062</u>
Total expenditures	<u>3,004,213</u>	<u>2,898,032</u>	<u>6,960,832</u>	<u>7,424,051</u>	<u>9,965,045</u>	<u>10,322,083</u>
Change in net position	<u>\$ 326,529</u>	<u>\$ (230,596)</u>	<u>\$ (951,152)</u>	<u>\$ (1,640,782)</u>	<u>\$ (624,623)</u>	<u>\$ (1,871,378)</u>

Governmental activities decreased the City's net position by \$230,596. Business-type activities decreased the City's net position by \$1,640,782.

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources, available for spending, at the end of the fiscal year.

General Fund

The general fund is the primary operating fund of the City. At September 30, 2014, the general fund reported a fund balance of \$6,008,507, of which \$5,870,127 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unassigned fund balance represents 56 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$257,534 during the current fiscal year, which represents a positive variance of the same amount in comparison to the budget, which anticipated a balanced budget.

Proprietary Funds

The City's proprietary (enterprise) funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at September 30, 2014 amounted to a negative \$1,714,849.

General Fund Budgetary Highlights

The City budgeted for intergovernmental and grant revenues corresponding capital outlay expenditures during the year that were not received nor expended. Overall revenues were less than were budgeted.

Capital Assets and Debt Administration

Capital Assets

The City's investment in fixed assets for its governmental and business-type activities as of September 30, 2014 amounts to \$79,637,988 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, wastewater treatment plant and improvements, water and sewer distribution system, and construction in progress.

Major capital projects in process during the current fiscal year included the following:

- Water Distribution Phase II - NPSJ
- Water Distribution Phase II - SRF
- Core Park Lighthouse

Additional information on the City's capital assets can be found in the Notes to Financial Statements in this report.

Long-Term Debt

The City has long-term debt outstanding at September 30, 2014 in the amount of \$18,737,346.

Next Year's Budgets and Rates

Utility rates were increased for fiscal year 2014, as the result of utility rate study that has been performed.

Request for Information

This financial report is designed to provide a general overview of the City of Port St. Joe, Florida's finances for those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Port St. Joe, P.O. Box 278, Port St. Joe, Florida 32457.

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,508,298	\$ 1,479,236	\$ 4,987,534
Accounts receivable, net	68,949	589,239	658,188
Prepaid expenses	71,286	22,817	94,103
Internal balances	2,833,359	(2,833,359)	—
Due from other governments	43,331	—	43,331
Total Current Assets	<u>6,525,223</u>	<u>(742,067)</u>	<u>5,783,156</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation			
Nondepreciable	5,694,885	3,456,823	9,151,708
Depreciable, net	5,675,012	64,811,268	70,486,280
Total Noncurrent Assets	<u>11,369,897</u>	<u>68,268,091</u>	<u>79,637,988</u>
Total Assets	<u>17,895,120</u>	<u>67,526,024</u>	<u>85,421,144</u>
LIABILITIES			
Current liabilities			
Accounts payable	377,591	92,084	469,675
Accrued expenses	57,242	—	57,242
Accrued wages	—	72,879	72,879
Accrued interest	—	308,195	308,195
Total Current Liabilities	<u>434,833</u>	<u>473,158</u>	<u>907,991</u>
Noncurrent liabilities			
Customer deposits	—	254,230	254,230
Due within one year			
Accrued compensated absences	13,036	61,862	74,898
Loans and revenue bonds payable	58,578	566,257	624,835
Due in more than one year			
Accrued compensated absences	39,107	78,414	117,521
Loans and revenue bonds payable	204,583	17,907,928	18,112,511
Other postemployment benefits	97,124	105,118	202,242
Total Noncurrent Liabilities	<u>412,428</u>	<u>18,973,809</u>	<u>19,386,237</u>
Total Liabilities	<u>847,261</u>	<u>19,446,967</u>	<u>20,294,228</u>
NET POSITION			
Net investment in capital assets	11,106,736	49,793,906	60,900,642
Restricted for:			
Public Safety	548	—	548
Development	142,527	—	142,527
Unrestricted	5,798,048	(1,714,849)	4,083,199
Total Net position	<u>\$17,047,859</u>	<u>\$48,079,057</u>	<u>\$65,126,916</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position					
		Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government							
Governmental activities							
City Commission	\$ 66,795	\$ —	\$ —	\$ —	\$ (66,795)	\$ —	\$ (66,795)
Administration	399,504	25,593	—	—	(373,911)	—	(373,911)
Police	701,011	—	14,064	—	(686,947)	—	(686,947)
Fire	110,812	—	—	—	(110,812)	—	(110,812)
Streets and highways	690,270	—	26,859	192,381	(471,030)	—	(471,030)
Economic environment	151,367	—	—	—	(151,367)	—	(151,367)
Parks and cemeteries.	472,123	122,505	—	751,115	401,497	—	401,497
Human services	37,496	—	—	—	(37,496)	—	(37,496)
Maintenance shop	89,562	—	—	—	(89,562)	—	(89,562)
Nondepartmental	<u>179,092</u>	<u>28,098</u>	<u>—</u>	<u>—</u>	<u>(150,994)</u>	<u>—</u>	<u>(150,994)</u>
Total governmental activities	<u>2,898,032</u>	<u>176,196</u>	<u>40,923</u>	<u>943,496</u>	<u>(1,737,417)</u>	<u>—</u>	<u>(1,737,417)</u>
Business-Type Activities							
Water utility	2,808,973	2,251,487	—	622,825	—	65,339	65,339
Wastewater utility	3,736,016	2,533,383	—	—	—	(1,202,633)	(1,202,633)
Solid waste utility	<u>879,062</u>	<u>763,926</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(115,136)</u>	<u>(115,136)</u>
Total business-type activities	<u>7,424,051</u>	<u>5,548,796</u>	<u>—</u>	<u>622,825</u>	<u>—</u>	<u>(1,252,430)</u>	<u>(1,252,430)</u>
Total Primary Government	<u>\$ 10,322,083</u>	<u>\$5,724,992</u>	<u>\$ 40,923</u>	<u>\$1,566,321</u>	<u>(1,737,417)</u>	<u>(1,252,430)</u>	<u>(2,989,847)</u>
General Revenues:							
Taxes:							
Property tax				1,106,000	—	1,106,000	
Franchise and utility taxes				643,750	—	643,750	
Sales tax and other shared revenues				216,229	—	216,229	
Investment earnings				5,632	672	6,304	
Gain on disposition of fixed assets				(490,561)	—	(490,561)	
Miscellaneous				<u>25,771</u>	<u>(389,024)</u>	<u>(363,253)</u>	
Total General Revenues				<u>1,506,821</u>	<u>(388,352)</u>	<u>1,118,469</u>	
Changes in Net Position				(230,596)	(1,640,782)	(1,871,378)	
Prior period adjustment (note 12)				147,305	66,072	213,377	
Net Position – Beginning of Year				<u>17,131,150</u>	<u>49,653,767</u>	<u>66,784,917</u>	
Net Position – End of Year	<u>\$17,047,859</u>	<u>\$ 48,079,057</u>	<u>\$ 65,126,916</u>				

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Downtown Redevelopment	Total
Assets			
Cash and cash equivalents	\$ 3,432,317	\$ 75,981	\$ 3,508,298
Accounts receivable, net	68,949	—	68,949
Prepaid expenses	71,286	—	71,286
Due from other funds	17,316,892	—	17,316,892
Due from other governments	43,331	—	43,331
Total Assets	<u>20,932,775</u>	<u>75,981</u>	<u>21,008,756</u>
Liabilities Deferred Inflows and Fund Balance			
Accounts payable	375,435	—	375,435
Accrued expenses	57,242	—	57,242
Deposits held	2,175	—	2,175
Due to other funds	14,483,534	—	14,483,534
Total Liabilities	<u>14,918,386</u>	<u>—</u>	<u>14,918,386</u>
Deferred Inflows			
Business license	5,882	—	5,882
Total Deferred Inflows	<u>5,882</u>	<u>—</u>	<u>5,882</u>
Fund balance			
Nonspendable	71,286	—	71,286
Restricted for:			
Development	66,546	75,981	142,527
Public Safety	548	—	548
Unassigned	5,870,127	—	5,870,127
Total Fund Balance	<u>6,008,507</u>	<u>75,981</u>	<u>6,084,488</u>
Total liabilities Deferred Inflows and Fund Balance	<u>20,932,775</u>	<u>75,981</u>	
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.			11,369,897
Other assets are not available to pay current period expenditures and are deferred in the funds.			5,902
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			<u>(412,428)</u>
Net position of governmental activities			<u>\$17,047,859</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Downtown Redevelopment	Other Total
Revenues			
Taxes	\$ 1,612,659	\$ 210,394	\$ 1,823,053
Licenses and permits	8,330	—	8,330
Intergovernmental	1,123,880	—	1,123,880
Charges for services	71,625	—	71,625
Fines and forfeitures	5,411	—	5,411
Investment earnings and other	141,985	188	142,173
Total revenues	<u>2,963,890</u>	<u>210,582</u>	<u>3,174,472</u>
Expenditures			
Current			
City commission	66,795	—	66,795
Administration	359,798	—	359,798
Police	663,447	—	663,447
Fire	68,517	—	68,517
Streets and highways	557,313	—	557,313
Economic environment	—	144,737	144,737
Parks and cemeteries	279,712	—	279,712
Human services	37,496	—	37,496
Maintenance shop	80,611	—	80,611
Nondepartmental	179,092	—	179,092
Capital outlay	974,793	—	974,793
Debt service	19,850	61,723	81,573
Total expenditures	<u>3,287,424</u>	<u>206,460</u>	<u>3,493,884</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(323,534)</u>	<u>4,122</u>	<u>(319,412)</u>
Other financing sources (uses)			
Transfer in	66,000	—	66,000
Transfer out	—	(66,000)	(66,000)
Total other financing Sources (uses)	<u>66,000</u>	<u>(66,000)</u>	<u>—</u>
Net change in fund balance	<u>(257,534)</u>	<u>(61,878)</u>	<u>(319,412)</u>
Fund balance – beginning	<u>6,266,041</u>	<u>137,859</u>	<u>6,403,900</u>
Fund balance - ending	<u>\$ 6,008,507</u>	<u>\$ 75,981</u>	<u>\$ 6,084,488</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Differences in amounts reported for governmental activities in the statement of activities.

Net change in fund balances – total governmental funds.	\$ (319,412)
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	974,793
Depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.	(444,697)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net position.	74,943
Cost of disposed capital assets are not included in the governmental funds but are included in the statement of activities.	(512,938)
Certain revenues not considered available are not recognized in the governmental funds but are included in the statement of activities.	5,882
Other benefits reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	<u>(9,187)</u>
Change in net position of governmental activities	<u>\$ (230,596)</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final		Budget	Positive
Revenues:					
Taxes	\$ 1,671,871	\$ 1,671,871	\$ 1,612,659	\$ 59,212	
Licenses and permits	20,897	20,897	8,330	12,567	
Intergovernmental	940,607	940,607	901,380	39,227	
Fines and forfeitures	69,561	69,561	71,625	(2,064)	
Charges for services	—	—	5,411	(5,411)	
Investment earnings and other	<u>341,077</u>	<u>341,077</u>	<u>364,485</u>	<u>(23,408)</u>	
Total revenues	<u>3,044,013</u>	<u>3,044,013</u>	<u>2,963,890</u>	<u>80,123</u>	
Expenditures:					
Current					
City commission	69,546	69,546	66,795	2,751	
Administration	1,629,311	1,629,311	359,798	1,269,513	
Police	648,425	648,425	663,447	(15,022)	
Fire	104,073	104,073	68,517	35,556	
Streets and highways	614,838	614,838	557,313	57,525	
Parks and cemeteries	211,693	211,693	279,712	(68,019)	
Human services	—	—	37,496	(37,496)	
Maintenance shop	82,787	82,787	80,611	2,176	
Nondepartmental	191,813	191,813	179,092	12,721	
Debt service	689,064	689,064	974,793	(285,729)	
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>19,850</u>	<u>150</u>	
Total expenditures	<u>4,261,550</u>	<u>4,261,550</u>	<u>3,287,424</u>	<u>974,126</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(1,217,537)</u>	<u>(1,217,537)</u>	<u>(323,534)</u>	<u>(894,003)</u>	
Other financing sources (uses)					
Transfers in (out)	—	—	66,000	(66,000)	
Cash carry forward	<u>1,217,537</u>	<u>1,217,537</u>	<u>—</u>	<u>1,217,537</u>	
Total other financing Sources (uses)	<u>1,217,537</u>	<u>1,217,537</u>	<u>66,000</u>	<u>1,151,537</u>	
Net change in fund balance	—	—	(257,534)	(257,534)	
Fund balance - beginning	<u>6,266,041</u>	<u>6,266,041</u>	<u>6,266,041</u>	<u>—</u>	
Fund balance - ending	<u>\$ 6,266,041</u>	<u>\$ 6,266,041</u>	<u>\$ 6,008,507</u>	<u>\$ (257,534)</u>	

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

Business-type Activities/Enterprise Funds

	Water, Sewer and Wastewater	Solid Waste	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,479,236	\$ —	\$ 1,479,236
Accounts receivable (net)	516,558	72,681	589,239
Due from other funds	30,578,885	584,616	31,163,501
Prepaid expenses	22,817	—	22,817
Total current assets	<u>32,597,496</u>	<u>657,297</u>	<u>33,254,793</u>
Property, plant and equipment			
Land and land improvements	1,396,638	—	1,396,638
Plant and equipment	92,899,271	100,557	92,999,828
Accumulated depreciation	(28,097,831)	(90,729)	(28,188,560)
Construction in progress	<u>2,060,185</u>	<u>—</u>	<u>2,060,185</u>
Net property, plant and equipment	<u>68,258,263</u>	<u>9,828</u>	<u>68,268,091</u>
Total assets	<u>100,855,759</u>	<u>667,125</u>	<u>101,522,884</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

Business-type Activities/Enterprise Funds

	Water, Sewer and Wastewater	Solid Waste	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 38,868	\$ 53,216	\$ 92,084
Accrued wages	65,403	7,476	72,879
Accrued interest	308,195	—	308,195
Due to other funds	<u>33,451,104</u>	<u>545,756</u>	<u>33,996,860</u>
Total current liabilities	<u>33,863,570</u>	<u>606,448</u>	<u>34,470,018</u>
Noncurrent liabilities			
Customer Deposits	254,230	—	254,230
Due within one year			
Accrued compensated absences	54,543	7,319	61,862
Loans and revenue bonds payable	566,257	—	566,257
Due in more than one year			
Accrued compensated absences	63,688	14,726	78,414
Loans and revenue bonds payable	17,907,928	—	17,907,928
Other postemployment benefits	92,729	12,389	105,118
Total noncurrent liabilities	<u>18,939,375</u>	<u>34,434</u>	<u>18,973,809</u>
Total liabilities	<u>52,802,945</u>	<u>640,882</u>	<u>53,443,827</u>
Net Position			
Net investment in capital assets	49,784,078	9,828	49,793,906
Unrestricted	<u>(1,731,264)</u>	<u>16,415</u>	<u>(1,714,849)</u>
Total net position	<u>48,052,814</u>	<u>26,243</u>	<u>48,079,057</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

Business-type Activities/Enterprise Funds

	Water	Sewer and Wastewater	Solid Waste	Total
Operating revenues				
Solid waste charges	\$ —	\$ 760,532	\$ 760,532	
Wastewater charges	2,174,255	—	2,174,255	
Water and sewer charges	2,249,651	—	2,249,651	
Connection fees	23,800	—	23,800	
Miscellaneous income	337,164	3,394	340,558	
Total operating revenue	<u>4,784,870</u>	<u>763,926</u>	<u>5,548,796</u>	
Operating expenses				
Personal services	1,644,809	185,005	1,829,814	
Utilities	253,840	—	253,840	
Operating supplies	471,476	12,793	484,269	
Repairs and maintenance	218,110	7,721	225,831	
Contractual services	132,601	565,478	698,079	
Other operating	362,776	106,427	469,203	
Depreciation	2,817,175	1,638	2,818,813	
Total operating expenses	<u>5,900,787</u>	<u>879,062</u>	<u>6,779,849</u>	
Operating income (loss)	<u>(1,115,917)</u>	<u>(115,136)</u>	<u>(1,231,053)</u>	
Nonoperating revenues (expenses)				
Gain (loss) or disposal of assets	(389,024)	—	(389,024)	
Interest income	672	—	672	
Revenue bond and loan interest expense	(644,202)	—	(644,202)	
Grant revenue	622,825	—	622,825	
Total non operating revenues (expenses)	<u>(409,729)</u>	<u>—</u>	<u>(409,729)</u>	
Change in net position	<u>(1,525,646)</u>	<u>(115,136)</u>	<u>(1,640,782)</u>	
Net position - beginning	<u>49,519,768</u>	<u>133,999</u>	<u>49,653,767</u>	
Prior period adjustment (note 12)	<u>58,692</u>	<u>7,380</u>	<u>66,072</u>	
Net position - ending	<u>\$48,052,814</u>	<u>\$ 26,243</u>	<u>\$48,079,057</u>	

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

<u>Business-type Activities/Enterprise Funds</u>			
	Water	Sewer and Wastewater	Solid Waste
			Total
Cash flows from operating activities			
Receipts from customers	\$ 4,775,122	\$ 755,277	\$ 5,530,399
Payments to suppliers	(1,647,730)	(684,052)	(2,331,782)
Payments to employees	(1,633,076)	(184,678)	(1,817,754)
Net cash provided (used) by operating activities	<u>1,494,316</u>	<u>(113,453)</u>	<u>1,380,863</u>
Cash flows from noncapital financing activities			
Capital contributions - grants	622,825	—	622,825
Payments (to) from other funds	(160,913)	113,453	(47,460)
Net cash provided by noncapital financing activities	<u>461,912</u>	<u>113,453</u>	<u>575,365</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(868,704)	—	(868,704)
Debt proceeds	177,387	—	177,387
Repayment of debt	(417,213)	—	(417,213)
Interest paid on long-term debt	(476,449)	—	(476,449)
Net cash used by capital and related financing activities	<u>(1,584,979)</u>	<u>—</u>	<u>(1,584,979)</u>
Cash flows from investing activities			
Interest earned	672	—	672
Net cash provided by investing activities	<u>672</u>	<u>—</u>	<u>672</u>
Increase in cash and cash equivalents			
	371,921	—	371,921
Cash and cash equivalents – beginning			
	<u>1,107,315</u>	<u>—</u>	<u>1,107,315</u>
Cash and cash equivalents – ending			
	<u>\$ 1,479,236</u>	<u>\$ —</u>	<u>\$ 1,479,236</u>

(continued)

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (continued)
YEAR ENDED SEPTEMBER 30, 2014

Business-type Activities/Enterprise Funds

	Water, Sewer and Wastewater	Solid Waste	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	<u><u>\$(1,115,917)</u></u>	<u><u>\$ (115,136)</u></u>	<u><u>\$(1,231,053)</u></u>
Adjustments to reconcile			
Depreciation	2,817,175	1,638	2,818,813
(Increase) decrease in assets			
Accounts receivable, net	(3,677)	(5,225)	(8,902)
Prepaid expense	(22,817)	—	(22,817)
Increase (decrease) in liabilities			
Accounts payable	(54,992)	3,127	(51,865)
Accrued wages	11,733	1,641	13,374
Compensated absences	7,790	(749)	7,041
Customer deposits	21,281	—	21,281
Other postemployment benefits	(166,260)	1,251	(165,009)
Net cash provided by (used in) operating activities	<u><u>\$ 1,494,316</u></u>	<u><u>\$ (113,453)</u></u>	<u><u>\$ 1,380,863</u></u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Port St. Joe (The City) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard-setting body that establishes governmental accounting and financial reporting principles.

This summary of the City's significant accounting policies is presented to assist the reader in interpreting the financial statements and other information in this report. These policies are essential and should be read in conjunction with the accompanying financial statements.

Reporting Entity

The City of Port St. Joe, Florida, is located in northwest Florida in Gulf County, on the Gulf of Mexico. The City operates under an elected Mayor-Commissioner and four-member City Commission and serves approximately 4,000 residents. The City provides a full range of municipal services as authorized by its charter, including administration, law enforcement, fire safety, streets and highways, economic environment, and parks and recreation. In addition, the City operates water, sewer, wastewater and solid waste utilities.

Component Unit- Downtown Redevelopment Agency

This report includes financial statements of the funds required to account for those financial activities which are related to the City and are controlled by or dependent upon the City's legislative body, the City Commission. The City has one component unit as defined by GASB Statement No. 14, *The Financial Reporting Entity* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rules 10.553, which is required to be included in these financial statements. A component unit is an entity for which the City is considered to be financially accountable and is included in the City's reporting entity because of the significance of its operational or financial relationships with the City. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

On November 6, 1990, the city passed Resolution 198 authorizing the creation of the Port St. Joe Community Redevelopment Agency pursuant to Florida Statute 163.356. In accordance with Florida Statute 163.357, the City Commission of the City of Port St. Joe was designated as the "ex-officio" governing body of the Agency.

Due to the nature and significance of the Agency's relationship with the City, exclusion of the Agency's financial operations would render the City's financial statements incomplete or misleading.

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Agency is disclosed using the blended presentation method. Complete financial statements for the Downtown Redevelopment Agency may be obtained by writing to Port St. Joe Downtown Redevelopment Agency, P.O. Box 278, Port St. Joe, Florida 32457.

Measurement Focus and Basic Accounting

The basic financial statements of the City are composed of the following:

Government-wide financial statements
Fund Financial Statements
Notes to financial statements

Government-wide and Fund 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 primary government and its component units. 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 for support. Likewise, the primary government is reported separately from certain legally separate component units, if any, for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and, b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental fund:

General Fund- the general fund is the City's primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allowed by law or contractual agreement to another fund are accounted for in this fund.

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary funds:

Water, sewer and wastewater fund – this fund is used to account for the assets, operation and maintenance of the City operated water and sewer systems, and the wastewater treatment plant.

Solid waste fund- this fund is used to account for the assets, operation and maintenance of the City owned solid waste treatment plant.

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 is the proprietary 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 fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for utility services. Operating expenses of the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgets and Budgetary Accounting

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. All budget amendments that affect the total of a fund's budget must be approved by the City Commission.

The budgetary information presented for the general fund is prepared on the modified accrual basis. Encumbrances are not recorded. Unexpended items at year-end must be reappropriated in the subsequent year.

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The City considers the following to be cash or cash equivalents: bank deposits, demand deposits, interest bearing accounts such as time deposits and certificates of deposit, and highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are recorded at their net realizable value. The balances at September 30, 2014, were \$68,949 and \$589,239 for governmental activities and business-type activities, respectively. These balances are expected to be entirely collectible and therefore, no allowance for doubtful accounts has been recorded.

Other receivables are recorded in the governmental fund types at their net realizable value. Where expenditures exceed receipts to date on cost reimbursement type grants, the difference is recorded as due from the grantor or pass-through agency.

Due From (To) Other Funds

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

Inventories

Inventory items of materials and supplies, which are not significant in amount, are considered to be expenditures when purchased.

Prepaid Expenses

General fund expenditures for insurance and similar services extended over more than one year are accounted for as expenditures in the year paid.

Notes Receivable

Notes receivable due to the government fund type are reported on the balance sheet without regard to the fund's spending measurement focus. However, special reporting treatment is used to indicate that these notes receivable are not considered "available spendable resources," even though they are a component of net current assets.

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, right of ways, storm water system, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Property, plant and equipment with initial individual costs that exceed \$5,000 and estimated useful lives in excess of one year are recorded as capital assets. Infrastructure such as roads, bridges and sidewalks are capitalized when their initial costs exceed \$10,000 and possess estimated useful lives in excess of one year. Capital assets are recorded at historical cost whether purchases or constructed or estimated cost if historical cost is unknown. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend its useful life are not capitalized.

Depreciation is recorded on the straight-line basis over the estimated useful lives of assets generally as follows:

Wastewater treatment plants and improvements	3-50 Years
Water and sewer distribution system	15-50 Years
Furniture, equipment, machinery and vehicles	3-20 Years

Major outlays for capital assets and improvements are capitalized as projects are constructed. For assets constructed with governmental fund resources, interest during the construction period is not capitalized.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Unamortized Bond Premiums

Bond premiums associated with the issuance of revenue bonds are amortized over the life of the bonds using the interest method. For financial reporting, unamortized bond premiums are added to the applicable long-term debt.

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows

Deferred inflows reported in the government-wide financial statements represent unearned revenues. The deferred revenues are recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred inflows reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting, are reported as deferred inflows.

Compensated Absences

The City accounts for compensated absences (unpaid vacation and sick leave) in accordance with GASB Statement No. 16. Both the current and long-term portion of compensated absences are accrued and reported in the government-wide financial statements. No expenditure is reported in the government fund level statements for these amounts until payment is made. Compensated absences liability is based on current rates of pay. Proprietary fund types accrue sick leave and vacation benefits in the period they are earned. The City's policy is to allow limited vesting of employee vacation pay. Payment of unused sick leave, up termination, is also provided.

Property Taxes

Under Florida law, the assessment and the collection of all City, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The City's millage rate for the year ended September 30, 2014, was 3.5914 mills. The tax levy of the City is established by the City Commission prior to October 1, of each year.

Property tax revenue is recognized when taxes are received by the City. Because any delinquent taxes collected after September 30 would not be material, delinquent taxes are not accrued at year end.

All taxes become payable on November 1, of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. Taxes paid in March are without discount.

Property taxes are collected by the County Tax Collector. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates.

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council, the City's highest level of decision-making authority. Commitments may only be modified or removed by formal resolution of the City Council.

Assigned Fund Balance – includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City's Budget Committee is authorized to make assignments.

Unassigned Fund Balance – is represented by the residual classification of the General Fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principle requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Use of Restricted Asset

Certain assets of the various funds are required by resolutions and ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Subsequent events

The City evaluated subsequent events through May 30, 2015, the date which the financial statements were available to be issued. The City did not have any subsequent events requiring disclosure or recording in these financial statements.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.” The details of this difference are as follows:

Cost of capital assets	\$16,496,521
Less: accumulated depreciation	<u>(5,126,624)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$11,369,897</u>

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Another element of that reconciliation states, “long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.” The details of this difference are as follows:

Long-term debt	\$ 263,161
Accrued compensated absences	52,143
Other postemployment benefits	<u>97,124</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 412,428</u>

Explanation of certain differences between the governmental funds statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities and depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.” The details of this difference are as follows:

Capital outlay	\$ 974,793
Depreciation expense	<u>(444,697)</u>
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 530,096</u>

Another element of that reconciliation states, “Proceeds from debt is reported as revenue in the governmental funds but as an increase in long-term liabilities in the statement of net position and repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net position.” The details of these differences are as follows:

Principal repayments	\$ 74,943
Decrease in compensated absences	<u>(12,935)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 62,008</u>

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits Policies

All cash resources of the City are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts they are assessed on a pro-rata basis. The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments Policies

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

The Local government Surplus Funds Trust Fund (State Board of Administration) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided sec. 163.01.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Interest – bearing time deposits or savings accounts in state-certified qualified public depositories as defined in sec. 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

The credit risk of certain investments, such as investment pools managed by other governments, cannot be categorized as to credit risk because the City investments are not evidenced by specific, identifiable investment securities.

Interest Rate Risk

At September 30, 2014, the City did not hold any deposits or investments other than those disclosed below that were considered to be an interest rate risk

Custodial Risk

At September 30, 2014, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

As September 30, 2014, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2014, the City's cash and investments consisted of the following:

	Credit Rating	Current	0-5 Years	Total Carrying Amount
Cash including money				
Market fund	(I)	\$4,966,648	\$ —	\$4,966,648
Local Government Surplus Trust Fund Pool		20,886	—	20,886
Total		\$4,987,534	—	\$4,987,534

(I) These funds are not rated. Investments in these funds are restricted to cash, short term obligations of the U.S. government and government backed securities.

Local Government Surplus Funds Trust Fund (Florida PRIME)

The Florida PRIME portion of the pool \$20,886 is considered a SEC 2a7- like fund and the account balance is the fair value of the investment.

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Credit quality disclosure - Florida PRIME is rated by Standard and Poor's. The current rating is AAAm.

Interest rate risk - The weighted average days to maturity of the Florida PRIME at September 30, 2014 is 39 days.

The City does not have a formal policy relating to interest rate risk.

NOTE 4- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	<u>September 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2014</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,804,198	\$ —	\$ —	\$ 4,804,198
Construction in progress	171,124	719,563	—	890,687
Total capital assets, not being depreciated	<u>4,975,322</u>	<u>719,563</u>	<u>—</u>	<u>5,694,885</u>
Capital assets being depreciated:				
Buildings	1,591,511	37,989	—	1,629,500
Improvements	7,185,354	204,177	(670,701)	6,718,830
Furniture, equipment, and vehicles	2,446,783	13,064	(6,541)	2,453,306
Total capital assets being depreciated	<u>11,223,648</u>	<u>255,230</u>	<u>(677,242)</u>	<u>10,801,636</u>
Less accumulated depreciation for:				
Buildings	1,027,038	21,878	—	1,048,916
Improvements	1,855,697	316,928	(157,763)	2,014,862
Furniture, equipment, and vehicles	1,963,496	105,891	(6,541)	2,062,846
Total accumulated depreciation	<u>4,846,231</u>	<u>444,697</u>	<u>(164,304)</u>	<u>5,126,624</u>
Total capital assets being depreciated, net	<u>6,377,417</u>	<u>(189,467)</u>	<u>(512,938)</u>	<u>5,675,012</u>
Total Governmental activities, capital assets, (net of accumulated depreciation)	<u>\$ 11,352,739</u>	<u>\$ 530,096</u>	<u>\$ (512,938)</u>	<u>\$ 11,369,897</u>

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 4- CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental activities functions/programs of the primary government as follows:

Administration	30,519
Police	37,564
Fire	42,295
Streets and highways	132,957
Parks and recreation	192,411
Maintenance Shop	8,951
Total depreciation expense – governmental activities	\$ 444,697

The construction in progress as of September 30, 2014 consists of:

Ballpark complex	108,967
Lighthouse	781,720
Total CIP as of 9/30/14	\$ 890,687

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 4- CAPITAL ASSETS (continued)

	<u>September 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2014</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,396,638	\$ —	\$ —	\$ 1,396,638
Construction in progress	<u>2,529,225</u>	<u>1,084,427</u>	<u>(1,553,467)</u>	<u>2,060,185</u>
Total capital assets, not being depreciated	<u>3,925,863</u>	<u>1,084,427</u>	<u>(1,553,467)</u>	<u>3,456,823</u>
Capital assets being depreciated:				
Solid waste facility	100,557	—	—	100,557
Wastewater treatment plant and Improvements	61,156,093	6,500	(1,724,183)	59,438,410
Water and sewer distribution system	<u>31,159,184</u>	<u>1,553,467</u>	<u>(1,852,324)</u>	<u>30,860,327</u>
Furniture, equipment and vehicles	<u>2,521,762</u>	<u>95,443</u>	<u>(16,671)</u>	<u>2,600,534</u>
Total capital assets being depreciated	<u>94,937,596</u>	<u>1,655,410</u>	<u>(3,593,178)</u>	<u>92,999,828</u>
Accumulated depreciation				
Solid waste facility	89,093	1,638	—	90,731
Wastewater treatment plant and Improvements	20,608,875	1,925,885	(1,676,088)	20,858,672
Water and sewer distribution system	<u>6,348,448</u>	<u>733,197</u>	<u>(1,335,751)</u>	<u>5,745,894</u>
Furniture, equipment and vehicles	<u>1,351,842</u>	<u>158,093</u>	<u>(16,671)</u>	<u>1,493,264</u>
Total accumulated depreciation	<u>28,398,258</u>	<u>2,818,813</u>	<u>(3,028,510)</u>	<u>28,188,560</u>
Total capital assets being depreciated, net	<u>66,539,338</u>	<u>(1,163,403)</u>	<u>(564,668)</u>	<u>64,811,268</u>
Total business-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 70,465,201</u>	<u>\$ (78,976)</u>	<u>\$ (2,118,135)</u>	<u>\$ 68,268,091</u>

Depreciation expense was charged to business-type activities functions/programs of the primary government as follows:

Water, sewer and wastewater	\$2,817,175
Solid waste	<u>1,638</u>
Total depreciation expense-business-type activities	<u>\$2,818,813</u>

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 5- LONG - TERM DEBT

Long-term obligations and debt at September 30, 2014, are as follows:

	<u>Balance September 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities					
USDA Capital Improvement Revenue Bonds, dated July 24, 2009, payable annually to 2029; interest at 4.375%.	\$ 225,031	\$ —	\$ (10,005)	\$ 215,026	\$ 10,443
Land note secured by property payable in annual installments including interest at 6% maturing January 2015.	113,073	—	(64,938)	48,135	48,135
Liability for compensated absences	65,078	—	(12,935)	52,143	13,036
Other postemployment benefit liability	<u>75,002</u>	<u>22,122</u>	<u>—</u>	<u>97,124</u>	<u>—</u>
Total governmental activities					
Long-term obligations	<u>\$ 478,184</u>	<u>\$ 22,122</u>	<u>\$ (87,878)</u>	<u>\$ 412,428</u>	<u>\$ 71,614</u>

Future debt service requirements for the governmental funds:

Year Ending September 30,	Governmental Funds		
	Principal	Interest	Total
2015	\$ 12,394	\$ 7,456	\$ 19,850
2016	58,578	9,407	67,985
2017	10,900	8,951	19,851
2018	11,377	8,474	19,851
2019	11,874	7,977	19,851
2020-2024	70,593	28,658	99,251
2025-2029	<u>87,445</u>	<u>11,805</u>	<u>99,250</u>
Total	<u>\$ 263,161</u>	<u>\$ 82,728</u>	<u>\$ 345,889</u>

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 5- LONG - TERM DEBT (continued)

	<u>Balance September 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2014</u>	<u>Due Within One Year</u>
Business-type activities					
Water, sewer and Wastewater fund					
Water and Sewer System					
Fixed Rate Loan Due 2029	\$15,334,220	\$	—	\$ (196,769)	\$ 15,137,451
State Revolving Fund –					
Sewer Headworks, dated 5/3/2011; payable semi-annually to 2029. Interest at 2.35%	2,244,055		—	(107,975)	2,136,080
State Revolving Fund –					
Water distribution, dated 2/6/2012; payable semi-annually to 2017. Interest at 2.42%	1,135,736		177,387	(112,469)	1,200,654
Liability for compensated absences	133,235		—	(56,032)	77,203
Other postemployment benefit liability	<u>67,554</u>	<u>37,563</u>	<u>—</u>	<u>105,117</u>	<u>—</u>
Total business-type activities long-term liabilities	<u>\$18,914,800</u>	<u>\$ 214,950</u>	<u>\$ (473,245)</u>	<u>\$ 18,656,505</u>	<u>\$ 385,434</u>

Future debt service requirements:

Year Ending September 30,	Enterprise Funds		
	Principal	Interest	Total
2015	\$ 566,257	\$ 563,537	\$ 1,129,794
2016	585,898	543,896	1,129,794
2017	603,256	526,537	1,129,793
2018	621,167	508,627	1,129,794
2019	639,646	490,148	1,129,794
2020-2024	3,451,080	2,152,269	5,603,349
2025-2029	10,710,897	1,496,789	12,207,686
2030-2034	311,565	61,910	373,475
2035-2039	328,366	45,109	373,475
2040-2044	346,072	27,405	373,477
2045-2049	309,981	8,744	318,725
Total	<u>\$ 18,474,185</u>	<u>\$ 6,424,971</u>	<u>\$ 24,899,156</u>

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 5- LONG - TERM DEBT (continued)

Capital Improvement Revenue Bonds, Series 2009

The \$252,600 Capital Improvement Revenue Bonds, Series 2009 are fully registered bonds dated July 24, 2009, bearing an interest rate of 4.375%, maturing September 1 through 2029. The bonds are secured by a pledge on the City's alcoholic beverage license tax and occupational license tax. Annual principal and interest payments on the bonds are 60 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$297,753. Principal and interest paid for the current year and total pledged revenues were \$19,861 and \$33,318 respectively.

Water and Sewer System Refunding Revenue Note, Series 2010

The \$16,179,219.51 Water and Sewer System Refunding Revenue Note, Series 2010 was restructured subsequent to year-end. The new note is dated October 15, 2013, bearing an interest rate of 3.41%, and maturing October 15, 2028. The note is secured by a pledge on the City's net revenues of the water/sewer system and the water/sewer capital facilities fees. Semiannual principal and interest payments on the note were 10 percent of pledged revenues. The total principal and interest remaining to be paid on the note is \$20,998,555. Principal and interest paid for the current year and total pledged revenues were \$458,220 and \$4,784,870 respectively.

State Revolving Fund Loan - Headworks

The State Revolving Fund – Headworks loan is for the construction of land application systems and new headworks received through a Federal grant from the Environmental Protection Agency. The loan bears an interest rate of 2.35% payable in semi-annual installments of \$80,040 began January 15, 2013.

State Revolving Fund Loan – Water Distribution

The State Revolving Fund – Water Distribution loan is for water distribution systems improvements received through a Federal grant from the Environmental Protection Agency. The loan bears an interest rate of 2.42% payable in semi-annual payments of \$69,332 which began 4/15/2013.

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 6- INTERFUND RECEIVABLES, PAYABLE and TRANSFERS

The interfund balances at September 30, 2014, were as follows:

	Due from <u>Other funds</u>	Due to <u>Other funds</u>
General fund	\$17,316,892	\$14,483,533
Water, sewer and wastewater	<u>31,163,501</u>	<u>33,996,860</u>
Total	<u>\$48,480,393</u>	<u>\$48,480,393</u>

The interfunds loans were for operating advances.

NOTE 7- EMPLOYEE BENEFITS

Retirement Plan

Plan Description

The City participate in the Florida Retirement System (FRS) a cost-sharing, multiple employer defined benefit public retirement system administered by the State of Florida Department of Administration, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by contacting the State of Florida, www.dos.state.fl.us/fgils/retirement.

The System provides vesting of benefits after six years of creditable service. Members are eligible for normal retirement after six year of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. FRS also provides death and disability benefits and cost-of-living adjustments. Generally, membership is compulsory for all full-time and part-time employees. Retirement coverage for employees is 3% of covered payroll.

Funding Policy

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers pay all contributions at rates determined each year by the legislature. The rates, as a percentage of gross earnings, are as follows:

	9/30/2013 through <u>6/30/2014</u>	7/01/2014 through <u>9/30/2014</u>
Regular employees	6.95%	7.37%
Special risk employees	19.06 %	19.82%
DROP plan participants	12.84%	12.28%

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 7- EMPLOYEE BENEFITS (continued)

Contribution rates equal actuarial determined rates. During the years ended September 30, 2014, 2013 and 2012 total payroll for covered employees was \$2,239,513, \$2,138,387 and \$2,085,692. The City's contributions for FRS amounted to \$219,748, \$155,813 and \$130,983 for the years ended September 30, 2014, 2013 and 2012 respectively. Contributions represented 9.8% of the total payroll which equaled the required contributions for the year.

Effective July, 1, 1998, the Legislature established a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed sixty months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

NOTE 8- GRANTS

The City participates in several state and federal grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for, or including, the year ended September 30, 2014, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the City's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined, although the City expects such amounts, if any, to be immaterial.

NOTE 9- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment

The City's coverage of workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 10- GENERAL BUSINESS CONDITIONS: SOLID WATE DISPOSAL

Solid Waste Disposal

The city has an agreement with Waste Pro, Inc. of Florida, to provided solid waste sanitation and disposal services to City residents. The City receives 10% of gross receipts for providing billing and collection services. The agreement is effective for five years ending September 30, 2019.

NOTE 11- OTHER POST EMPLOYMENT BENEFITS (OPEB)

Effective for the year ended September 30, 2010, the City has implemented Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for retiree health insurance. The requirements of this statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$523,894 at transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of implementation.

Plan Description

The City has established the Retiree's Health Insurance Other Post Employment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City currently has approximately 70 total active and retired employees eligible to receive these benefits. No stand alone report is issued for this plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the Florida Retirement System plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active participant immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 11- OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the City of Port St. Joe Council Members. Currently, members receiving benefits pay the full costs (total premium) for medical coverage.

The contribution rates effective for other eligible City plan members during the year are shown below:

<u>Coverage</u>	<u>Annual Cost</u>
Retiree	\$ 589
Retiree and Spouse	1,104
Retiree and Children	976
Retiree and Family	1,647

The City has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the City provided contributions of \$0 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

<u>Description</u>	
Normal cost (service cost for one year)	\$ 74,328
Amortization of unfunded actuarial accrued liability	<u>30,011</u>
Annual required contribution	104,339
Interest on net OPEB obligation	5,702
Adjustment to annual required contribution	<u>(6,879)</u>
Annual OPEB cost (expense)	103,162
Contribution toward the OPEB cost	<u>43,477</u>
Increase in net OPEB obligation	59,685
Net OPEB obligation, beginning of year	<u>142,556</u>
Net OPEB obligation, end of year	<u>\$ 202,241</u>

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 11- OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2014 was as follows:

<u>Year ending September 30,</u>	Annual OPEB <u>Cost</u>	Percentage of OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2012	\$ 142,054	0%	\$ 421,951
2013	101,154	0%	479,628
2014	103,162	0%	202,241

Funding Status and Funding Progress

The funding status and funding progress information can be found in the schedule of funding progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions

The City had an actuarial valuation completed for the fiscal year ended September 30, 2014. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB valuation method used for the City was the entry age normal actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the City employees. The actuarial assumptions include a 4% discount rate. The actuarial assumptions also include an annual healthcare cost trend rate. For the City, this rate begins with an initial rate for 2010-11 fiscal year of 9%. It decreases over the years reaching a future year's rate of 5.5%. The assumed retirement age used is 63, and the average salary increase estimate used is 1.5%. The unfunded actuarial accrued liability is being amortized with a level dollar method. The remaining open amortization period at September 30, 2014 is 26 years.

CITY OF PORT ST. JOE, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – ACCOUNTING CHANGES, ACCOUNTING STANDARDS AND PRIOR PERIOD ADJUSTMENT

In fiscal year 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement 65 “Items Previously Reported as Assets and Liabilities”. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities and business-type activities in the government-wide financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods and resulted in a reduction of \$66,606.

In a prior period OPEB expenses were overstated as a result of the actuarial valuation. The OPEB liability was reduced resulting in an increase in net position of \$279,983.

Adjustments to Net Position:

Net position at September 30, 2013	\$66,784,917
Change in reporting for deferred charges to debt issuance costs	(66,606)
Change in reliability for OPEB	<u>279,983</u>
Net position at September 30, 2013, restated	<u><u>\$66,998,294</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORT ST. JOE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for the Retiree's Health Insurance
Other Post Employment Benefits Plan

Actuarial Valuation Date As of <u>Oct 1,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded Actuarial (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>(b-a)/c)</u>
2010	\$ 0	\$ 526,894	\$526,894	0%	2,080,000	25%
2011	\$ 0	\$ 526,894	\$526,894	0%	2,080,000	25%
2012	\$ 0	\$ 526,894	\$526,894	0%	2,080,000	25%
2013	\$ 0	\$ 740,712	\$740,712	0%	2,210,000	33.52%
2014	\$ 0	\$ 593,064	\$593,064	0%	2,210,000	26.84%

Schedule of Employer Contributions for the Retiree's Health Insurance
Other Post Employment Benefits Plan

Fiscal Year Ended <u>September 30,</u>	Actual Contribution	Annual Required Contribution	Percentage Contributed
2012	\$ 0	\$ 142,054	0%
2013	\$ 0	\$ 101,154	0%
2014	\$ 0	\$ 103,162	0%

COMPLIANCE SECTION

CITY OF PORT ST. JOE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2014

<u>Federal Awards Program</u>	<u>CFDA #</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>
U.S. Department Of Agriculture Community Facilities Loans and Grants			
City Sidewalks	10.769	09-023-590953785	<u>192,381</u> <u>192,381</u>
U.S. Department of Housing and Urban Development Passed through Fl. Dept of Economic Opportunity			
Small Cities Community Development Block Grant	14.228	13DB-01-02-33-02-N-07	<u>543,570</u> <u>543,570</u>
U.S. Department Of Justice Passed through Fl. Dept of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-JAGD-Gulf-1-E6-147	<u>1,000</u>
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-JAGC-Gulf-2-E5-044	<u>13,064</u>
			<u>14,064</u>
U.S. Environmental Protection Agency Passed through Fl. Dept of Environmental Protection			
Water Distribution Phase II	66.468	DW 23011	<u>342,489</u>
Headworks and Spray Field	66.458	WW 230100	<u>6,500</u>
			<u>348,989</u>
Total Federal			<u>\$ 1,099,004</u>

CITY OF PORT ST. JOE, FLORIDA
SCHEDEULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2014

<u>State Financial Assistance Projects</u>	<u>CFDA #</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>
Florida Department of State			
Lighthouse Relocation Assistance	45.031	MP1401/MP502	<u>717,315</u> <u>717,315</u>
Florida Department of Transportation			
Roadside Beautification Assistance Phase IV	55.023	416533-8-58-39	<u>22,891</u> <u>22,891</u>
Florida Department of Economic Opportunity			
Technical Assistance Grant	40.024	PO028	<u>40,000</u> <u>40,000</u>
Northwest Florida Water Management District			
Water Distribution System Improvements	37.022	09202010-2	<u>5,500</u> <u>5,500</u>
Total State			<u>\$ 785,706</u>

CITY OF PORT ST. JOE, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2014

Note 1 – Basis of Accounting

The supplementary schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City. Expenditures are presented on the modified accrual basis of accounting.

Note 2 – Reporting Entity

For the purpose of the supplementary schedule of expenditures of federal awards and state financial assistance the City includes all the funds of the primary government as defined by GASB Statement Numbers 14 and 39.

Note 3 – Pass-Through Awards

The City received certain federal awards as pass-through awards of the State of Florida. The total amount of such pass-through awards is included in the schedule of expenditures of federal awards and state financial assistance according to the source of the funds.

Note 4 – Loans Outstanding

The City had the following loan balances outstanding at September 30, 2014:

	CFDA #	Expenditures incurred during 9/30/2014	Outstanding Loan Amount
U.S. Environmental Protection Agency	66.458	\$ —	\$ 2,136,080
U.S. Environmental Protection Agency	66.468	<u>\$ 177,387</u>	<u>\$ 1,200,654</u>
		<u><u>\$ 177,387</u></u>	<u><u>\$ 3,336,734</u></u>

Note 5 – Contingency

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

CITY OF PORT ST. JOE, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSE
YEAR ENDED SEPTEMBER 30, 2014

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unqualified	
Internal control over financial reporting		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies)identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted:	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

Federal Awards and State Financial Assistance

Internal control over major programs		
material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency (ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none Reported

Type of auditor’s report issued on compliance for major programs	Unqualified	
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Section 10.557, Rules of the Auditor General?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Identification of major federal awards/state financial assistance projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Financial Assistance Project</u>
66.458	Headwaters and Spray Field
45.031	Lighthouse Relocation Assistance

(continued)

CITY OF PORT ST. JOE, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSE (continued)
YEAR ENDED SEPTEMBER 30, 2014

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

Section II – Financial Statement Findings

2014-001 – On December 3, 2013, the City adopted the current utility billing adjustment policy. This policy, in certain cases, results in the City providing water at no cost. An existing loan includes a provision that the City will provide “no free water”. The current adjustment policy does not meet these loan covenants.

Recommendation: The utility billing adjustment policy should be revised to comply with the loan covenants.

Management Response: The City Commission will review the current policy and make any changes they consider necessary.

Section III – Findings and Questioned Costs – Major Federal Award Programs

No findings or questioned costs in the current year.

Section IV – Findings and Questioned Costs – Major State Financial Assistance Projects

No findings or questioned costs in the current year.

Section V – Other Issues

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

Vance CPA LLC

Certified Public Accountant

219-B Avenue E • Apalachicola, FL 32320
Phone (888)531-6408 Fax (866)-406-7422

INDEPENDENT AUDITOR'S REPORT ON INVESTMENT COMPLIANCE

Honorable Mayor and Members of the
Of the City Commission
City of Port St. Joe, Florida

We have examined the City of Port St. Joe, Florida's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants 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.

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

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



Vance CPA LLC
May 30, 2015

Vance CPA LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and Members of the
Of the City Commission
City of Port St. Joe, Florida

We have audited the financial statements of the City of Port St. Joe, Florida as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated May 30, 2015.

Auditor's 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133; Schedule of Findings and Responses; and Independent Auditor'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 May 30, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings:

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

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Port St. Joe, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Port St. Joe, Florida was not in a state of financial emergency, as it 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 10556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Port St. Joe's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Port St. Joe, Florida for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

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 did not have nay such recommendations.

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

Vance CPA LLC

Vance CPA LLC
May 30, 2015

Vance CPA LLC
Certified Public Accountant

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**INDEPENDENT AUDITOR'S 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 Members
of the City Council
City of Port St. Joe, Florida

We have audited, in accordance with the 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, and each major fund, of the City of Port St. Joe, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Port St. Joe, Florida's basic financial statements, and have issued our report thereon dated May 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Port St. Joe, Florida'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 of Port St. Joe, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Port St. Joe, Florida's internal control.

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

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

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Port St. Joe, Florida's financial statements are free from 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2014-001.

The City of Port St. Joe, Florida's Response to Findings

The City of Port St. Joe, Florida's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Port St. Joe, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Vance CPA LLC

Vance CPA LLC

May 30, 2015

Vance CPA LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Members of the
Of the City Council
City of Port St. Joe, Florida

Report on Compliance for Each Major Federal and State Program

We have audited the City of Port St. Joe, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Port St. Joe, Florida's major federal programs for the year ended September 30, 2014. The City of Port St. Joe, Florida's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Vance CPA LLC

Vance CPA LLC

May 30, 2015