

City of Port St. Joe, Florida

**Annual Financial Statements
September 30, 2016**

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**CITY OF PORT ST. JOE, FLORIDA
SEPTEMBER 30, 2016**

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2016, 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, schedule of proportionment share of net pension liability, schedule of pension plan contributions, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017, 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

June 13, 2017

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, 2016 by \$61,854,798 (net position). Of this amount, \$3,981,623 (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 \$628,998.
- As of September 30, 2016, the City of Port St. Joe's general fund reported an ending fund balance of \$6,352,287, an increase of \$258,601 from prior year. \$6,169,844 of this amount is available for spending at the City's discretion (unrestricted fund balance).
- Long-term debt of City decreased \$856,087 from the prior year, while the liability for compensated absences decreased \$3,302.

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 \$61,854,788.

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

Net Position						
September 30,	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current/other assets	\$ 6,562,999	\$ 6,294,491	\$ 537,696	\$ 85,227	\$ 7,100,695	\$ 6,379,718
Capital assets	<u>11,379,754</u>	<u>11,353,699</u>	<u>63,772,925</u>	<u>65,982,808</u>	<u>75,152,679</u>	<u>77,336,507</u>
Total assets	<u>17,942,753</u>	<u>17,648,190</u>	<u>64,310,621</u>	<u>66,068,035</u>	<u>82,253,374</u>	<u>83,716,225</u>
Deferred Outflows	<u>423,683</u>	<u>203,666</u>	<u>480,398</u>	<u>85,559</u>	<u>904,081</u>	<u>289,225</u>
Current liabilities	65,716	94,954	395,608	443,275	461,324	538,229
Noncurrent liabilities	<u>1,940,601</u>	<u>1,622,358</u>	<u>18,775,697</u>	<u>19,061,220</u>	<u>20,716,298</u>	<u>20,683,578</u>
Total liabilities	<u>2,006,317</u>	<u>1,717,312</u>	<u>19,171,305</u>	<u>19,504,495</u>	<u>21,177,622</u>	<u>21,221,807</u>
Deferred Infows	<u>148,591</u>	<u>211,145</u>	<u>(23,556)</u>	<u>88,702</u>	<u>125,035</u>	<u>299,847</u>
Net investment in capital assets	10,982,505	11,149,116	46,674,004	48,038,920	57,656,509	59,188,036
Net Position - restricted	216,666	160,420	—	—	216,666	160,420
Net Position - Unrestricted	<u>5,012,357</u>	<u>4,613,863</u>	<u>(1,030,734)</u>	<u>(1,478,523)</u>	<u>3,981,623</u>	<u>3,135,340</u>
Total net position	<u>\$16,211,528</u>	<u>\$15,923,399</u>	<u>\$45,643,270</u>	<u>\$46,560,397</u>	<u>\$ 61,854,798</u>	<u>\$62,483,796</u>

Ninety-three percent (93%) 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 \$17,292,384.

The balance of unrestricted net position \$3,981,623 may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2016, 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, 2016 and 2015.

Changes in Net Position

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program Revenues -						
Charges for services	\$ 188,690	\$ 192,099	\$ 6,612,593	\$ 6,211,850	\$ 6,801,283	\$ 6,403,949
Operating grants and contributions	56,135	137,062	—	—	56,135	137,062
Capital grants and contributions	148,328	331,982	401,385	473,190	549,713	805,172
General Revenues -						
Ad valorem taxes	1,002,942	969,240	—	—	1,002,942	969,240
Utility taxes/franchise fees	701,468	676,692	—	—	701,468	676,692
Sales tax and other	456,517	429,963	—	—	456,517	429,963
Interest	6,093	3,359	—	—	6,093	3,359
Other	728,541	218,307	—	—	728,541	218,307
Transfers	—	—	—	—	—	—
Total revenues	<u>3,288,714</u>	<u>2,958,704</u>	<u>7,013,978</u>	<u>6,685,040</u>	<u>10,302,692</u>	<u>9,643,744</u>
Expenses						
City commission	73,170	70,276	—	—	73,170	70,276
Administration	453,815	347,948	—	—	453,815	347,948
Police	746,136	753,001	—	—	746,136	753,001
Fire	115,735	129,417	—	—	115,735	129,417
Highways and streets	658,187	763,899	—	—	658,187	763,899
Economic environment	174,498	173,694	—	—	174,498	173,694
Parks and cemeteries	509,892	380,462	—	—	509,892	380,462
Human services	31,376	36,740	—	—	31,376	36,740
Maintenance shop	93,124	90,716	—	—	93,124	90,716
Nondepartmental	144,652	149,014	—	—	144,652	149,014
Water	—	—	2,831,499	2,884,428	2,831,499	2,884,428
Sewer	—	—	4,321,736	4,026,795	4,321,736	4,026,795
Sanitation	—	—	<u>777,870</u>	<u>793,401</u>	<u>777,870</u>	<u>793,401</u>
Total expenditures	<u>3,000,585</u>	<u>2,895,167</u>	<u>7,931,105</u>	<u>7,704,624</u>	<u>10,931,690</u>	<u>10,599,791</u>
Change in Net Assets	<u>288,129</u>	<u>63,537</u>	<u>(917,127)</u>	<u>(1,019,584)</u>	<u>(628,998)</u>	<u>(956,047)</u>

Governmental activities increased the City's net position by \$288,129. Business-type activities decreased the City's net position by \$917,127.

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, 2016, the general fund reported a fund balance of \$6,352,287, of which \$6,169,844 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 245 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$258,601 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, 2016 amounted to a negative \$1,030,734.

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, 2016 amounts to \$74,948,893 (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
- Water Plant Chipola Pump NWFMD

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, 2016 in the amount of \$17,292,384.

Next Year's Budgets and Rates

Utility rates were increased for fiscal year 2016, 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, 2016

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,870,203	\$ 2,212,289	\$ 6,082,492
Accounts receivable, net	132,680	741,977	874,657
Prepaid expenses	93,521	—	93,521
Internal balances	2,416,570	(2,416,570)	—
Due from other governments	50,025	—	50,025
Total Current Assets	6,562,999	537,696	7,100,695
Noncurrent assets			
Capital assets, net of accumulated depreciation			
Note receivable	203,786	—	203,786
Nondepreciable	5,991,271	1,396,638	7,387,909
Depreciable, net	5,184,697	62,376,287	67,560,984
Total Noncurrent Assets	11,379,754	63,772,925	75,152,679
Total Assets	17,942,753	64,310,621	82,253,374
DEFERRED OUTFLOW OF RESOURCES			
Employee pension contributions	423,683	480,398	904,081
Total Deferred Outflow of Resources	423,683	480,398	904,081
LIABILITIES			
Current liabilities			
Accounts payable	37,997	119,111	157,108
Accrued expenses	7,404	—	7,404
Accrued wages	20,315	30,094	50,409
Accrued interest	—	246,403	246,403
Total Current Liabilities	65,716	395,608	461,324
Noncurrent liabilities			
Customer deposits	—	301,133	301,133
Due within one year			
Accrued compensated absences	22,385	23,317	45,702
Loans and revenue bonds payable	11,597	436,252	447,849
Due in more than one year			
Accrued compensated absences	67,155	69,950	137,105
Loans and revenue bonds payable	181,866	16,662,669	16,844,535
Other postemployment benefits	105,453	189,243	294,696
Net pension liability	1,552,145	1,093,133	2,645,278
Total Noncurrent Liabilities	1,940,601	18,775,697	20,716,298
Total Liabilities	2,006,317	19,171,305	21,177,622
DEFERRED INFLOW OF RESOURCES			
Pension earnings	148,591	(23,556)	125,035
Total Deferred Inflow of Resources	148,591	(23,556)	125,035
NET POSITION			
Net investment in capital assets	10,982,505	46,674,004	57,656,509
Restricted for: Development	216,117	—	216,117
Public safety	549	—	549
Unrestricted	5,012,357	(1,030,734)	3,981,623
Total Net position	\$16,211,528	\$45,643,270	\$61,854,798

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016**

		Net (Expense) Revenue and Changes in Net Position					
		Program Revenues			Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Primary government							
Governmental activities							
City Commission	\$ 73,170	\$ —	\$ —	\$ —	\$ (73,170)	\$ —	\$ (73,170)
Administration	453,815	44,416	—	—	(409,399)	—	(409,399)
Police	746,136	—	—	27,736	(718,400)	—	(718,400)
Fire	115,735	—	—	—	(115,735)	—	(115,735)
Streets and highways	658,187	16,141	45,095	32,171	(564,780)	—	(564,780)
Economic environment	174,498	—	—	—	(174,498)	—	(174,498)
Parks and cemeteries.	509,892	128,133	11,040	88,421	(282,298)	—	(282,298)
Human services	31,376	—	—	—	(31,376)	—	(31,376)
Maintenance shop	93,124	—	—	—	(93,124)	—	(93,124)
Nondepartmental	144,652	—	—	—	(144,652)	—	(144,652)
Total governmental activities	<u>3,000,585</u>	<u>188,690</u>	<u>56,135</u>	<u>148,328</u>	<u>(2,607,432)</u>	<u>—</u>	<u>(2,607,432)</u>
Business-Type Activities							
Water utility	2,831,499	2,543,461	—	401,385	—	113,347	113,347
Wastewater utility	4,321,736	3,278,424	—	—	—	(1,043,312)	(1,043,312)
Solid waste utility	<u>777,870</u>	<u>790,708</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,838</u>	<u>12,838</u>
Total business-type activities	<u>7,931,105</u>	<u>6,612,593</u>	<u>—</u>	<u>401,385</u>	<u>—</u>	<u>(917,127)</u>	<u>(917,127)</u>
Total Primary Government	<u>\$ 10,931,690</u>	<u>\$ 6,801,283</u>	<u>\$ 56,135</u>	<u>\$ 549,713</u>	<u>(2,607,432)</u>	<u>(917,127)</u>	<u>(3,524,559)</u>
General Revenues:							
Taxes:							
Property tax					1,002,942	—	1,002,942
Franchise and utility taxes					701,468	—	701,468
Sales tax and other shared revenues					456,517	—	456,517
Investment earnings					6,093	—	6,093
Gain on disposition of fixed assets					422,219	—	422,219
Miscellaneous					<u>306,322</u>	<u>—</u>	<u>306,322</u>
Total General Revenues					<u>2,895,561</u>	<u>—</u>	<u>2,895,561</u>
Changes in Net Position					288,129	(917,127)	(628,998)
Net Position – Beginning of Year					<u>15,923,399</u>	<u>46,560,397</u>	<u>62,483,796</u>
Net Position – End of Year					<u>\$ 16,211,528</u>	<u>\$ 45,643,270</u>	<u>\$ 61,854,798</u>

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016**

	General Fund	Downtown Redevelopment	Total
Assets			
Cash and cash equivalents	\$ 3,742,208	\$ 127,995	\$ 3,870,203
Accounts receivable, net	132,680	—	132,680
Prepaid expenses	93,521	—	93,521
Due from other funds	17,870,300	—	17,870,300
Due from other governments	50,025	—	50,025
Total Assets	21,888,734	127,995	22,016,729
Liabilities Deferred Inflows and Fund Balance			
Accounts payable	37,746	251	37,997
Accrued expenses	27,719	—	27,719
Deposits held	—	—	—
Due to other funds	15,453,730	—	15,453,730
Total Liabilities	15,519,195	251	15,519,446
Deferred Inflows			
Business license	17,252	—	17,252
Total Deferred Inflows	17,252	—	17,252
Fund balance			
Nonspendable	93,521	—	93,521
Restricted for:			
Development	88,373	127,744	216,117
Public Safety	549	—	549
Unassigned	6,169,844	—	6,169,844
Total Fund Balance	6,352,287	127,744	6,480,031
Total liabilities Deferred Inflows and Fund Balance	21,888,734	127,995	

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.	11,175,968
Other assets are not available to pay current period expenditures and are deferred in the funds.	221,038
Pension liabilities are not due and payable in the current period and therefore, are not reported as liabilities in government funds, nor are related deferred outflows and inflows.	(1,277,053)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(388,456)
Net position of governmental activities	<u>\$16,211,528</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, 2016

	General	Other	Total
	Fund	Downtown Redevelopment	Total
Revenues			
Taxes	\$ 1,704,410	\$ 244,267	\$ 1,948,677
Licenses and permits	18,297	—	18,297
Intergovernmental	602,683	43,211	645,894
Charges for services	81,513	1,249	82,762
Fines and forfeitures	5,060	—	5,060
Investment earnings and other	145,612	200	145,812
Total revenues	<u>2,557,575</u>	<u>288,927</u>	<u>2,846,502</u>
Expenditures			
Current			
City commission	72,554	—	72,554
Administration	435,131	—	435,131
Police	691,989	—	691,989
Fire	73,440	—	73,440
Streets and highways	522,026	—	522,026
Economic environment	—	174,498	174,498
Parks and cemeteries	310,642	—	310,642
Human services	31,376	—	31,376
Maintenance shop	84,630	—	84,630
Nondepartmental	144,652	—	144,652
Capital outlay	131,117	80,261	211,378
Debt service	19,850	—	19,850
Total expenditures	<u>2,517,407</u>	<u>254,759</u>	<u>2,772,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>40,168</u>	<u>34,168</u>	<u>74,336</u>
Other Financing Sources (uses)			
Sale of capital assets	422,219	—	422,219
Loan to other government	(203,786)	—	(203,786)
Total other financing sources (uses)	<u>218,433</u>	<u>—</u>	<u>218,433</u>
Net change in fund balance	258,601	34,168	292,769
Fund balance – beginning	<u>6,093,686</u>	<u>93,576</u>	<u>6,187,262</u>
Fund balance - ending	<u>\$ 6,352,287</u>	<u>\$ 127,744</u>	<u>\$ 6,480,031</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, 2016**

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

Net change in fund balances – total governmental funds.	\$ 292,769
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	211,377
Depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.	(404,194)
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.	11,120
Certain revenues not considered available are not recognized in the governmental funds but are included in the statement of activities.	200,305
Pension contributions are reported as expenditures in the funds while pension expense is reported in the government-wide statements.	(38,334)
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>15,086</u>
Change in net position of governmental activities	<u>\$ 288,129</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, 2016

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final
	<u>Original</u>	<u>Final</u>		Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,692,843	\$ 1,692,843	\$ 1,704,410	\$ (11,567)
Licenses and permits	16,087	16,087	18,297	(2,210)
Intergovernmental	1,790,050	1,790,050	602,683	1,187,367
Fines and forfeitures	84,211	84,211	81,513	2,698
Charges for services	6,149	6,149	5,060	1,089
Investment earnings and other	<u>153,685</u>	<u>153,685</u>	<u>145,612</u>	<u>8,073</u>
Total revenues	<u>3,743,025</u>	<u>3,743,025</u>	<u>2,557,575</u>	<u>1,185,450</u>
Expenditures:				
Current				
City commission	72,369	73,369	72,554	815
Administration	1,787,342	1,787,342	435,131	1,352,211
Police	709,616	709,616	691,989	17,627
Fire	89,640	89,640	73,440	16,200
Streets and highways	571,429	571,429	522,026	49,403
Parks and cemeteries	259,575	311,746	310,642	1,104
Human services	30,859	31,859	31,376	483
Maintenance shop	91,144	91,144	84,630	6,514
Nondepartmental	145,890	145,890	144,652	1,238
Debt service	81,513	131,117	131,117	—
Capital outlay	<u>19,850</u>	<u>19,850</u>	<u>19,850</u>	<u>—</u>
Total expenditures	<u>3,859,227</u>	<u>3,963,002</u>	<u>2,517,407</u>	<u>1,445,595</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(116,202)</u>	<u>(219,977)</u>	<u>40,168</u>	<u>(260,145)</u>
Other financing sources (uses)				
Sale of capital assets	20,186	422,219	422,219	—
Loan to other government	—	(203,786)	(203,786)	—
Cash carry forward	<u>1,409,026</u>	<u>1,409,026</u>	<u>—</u>	<u>1,409,026</u>
Total other financing				
Sources (uses)	<u>1,429,212</u>	<u>1,627,459</u>	<u>218,433</u>	<u>1,409,026</u>
Net change in fund balance	1,313,010	1,407,482	258,601	1,148,881
Fund balance - beginning	<u>6,093,686</u>	<u>6,093,686</u>	<u>6,093,686</u>	<u>—</u>
Fund balance - ending	<u>\$ 7,406,696</u>	<u>\$ 7,501,168</u>	<u>\$ 6,352,287</u>	<u>\$(1,148,881)</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

Business-type Activities/Enterprise Funds

	<u>Water, Sewer and Wastewater</u>	<u>Solid Waste</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 2,212,289	\$ —	\$ 2,212,289
Accounts receivable (net)	669,871	72,106	741,977
Due from other funds	<u>30,546,053</u>	<u>587,343</u>	<u>31,133,396</u>
Total current assets	<u>33,428,213</u>	<u>659,449</u>	<u>34,087,662</u>
Property, plant and equipment			
Land and land improvements	1,396,638	—	1,396,638
Plant and equipment	96,252,223	153,690	96,405,913
Accumulated depreciation	<u>(33,927,720)</u>	<u>(101,906)</u>	<u>(34,029,626)</u>
Net property, plant and equipment	<u>63,721,141</u>	<u>51,784</u>	<u>63,772,925</u>
Total assets	<u>97,149,354</u>	<u>711,233</u>	<u>97,860,587</u>
Deferred Outflow of Resources			
Employee Pension Contributions	<u>425,755</u>	<u>54,643</u>	<u>480,398</u>
Total deferred outflows	<u>425,755</u>	<u>54,643</u>	<u>480,398</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

Business-type Activities/Enterprise Funds			
	Water, Sewer and Wastewater	Solid Waste	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 68,173	\$ 50,938	\$ 119,111
Accrued wages	27,222	2,872	30,094
Accrued interest	246,403	—	246,403
Due to other funds	<u>32,967,782</u>	<u>582,184</u>	<u>33,549,966</u>
Total current liabilities	<u>33,309,580</u>	<u>635,994</u>	<u>33,945,574</u>
Noncurrent liabilities			
Customer Deposits	301,133	—	301,133
Due within one year			
Accrued compensated absences	21,935	1,382	23,317
Loans and revenue bonds payable	436,252	—	436,252
Due in more than one year			
Accrued compensated absences	65,805	4,145	69,950
Loans and revenue bonds payable	16,662,669	—	16,662,669
Other postemployment benefits	172,912	16,331	189,243
Net pension liability	<u>919,079</u>	<u>174,054</u>	<u>1,093,133</u>
Total noncurrent liabilities	<u>18,579,785</u>	<u>195,912</u>	<u>18,775,697</u>
Total liabilities	<u>51,889,365</u>	<u>831,906</u>	<u>52,721,271</u>
Deferred Inflows of Resources			
Employee Pension Contributions	<u>(35,195)</u>	<u>11,639</u>	<u>(23,556)</u>
Total deferred Inflows	<u>(35,195)</u>	<u>11,639</u>	<u>(23,556)</u>
Net Position			
Net investment in capital assets	46,622,220	51,784	46,674,004
Unrestricted	<u>(901,281)</u>	<u>(129,453)</u>	<u>(1,030,734)</u>
Total net position	<u>\$ 45,720,939</u>	<u>\$ (77,669)</u>	<u>\$45,643,270</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, 2016

Business-type Activities/Enterprise Funds			
	Water Sewer and Wastewater	Solid Waste	Total
Operating revenues			
Solid waste charges	\$ —	\$ 766,272	\$ 766,272
Wastewater charges	2,612,424	—	2,612,424
Water and sewer charges	2,524,812	—	2,524,812
Connection fees	65,456	—	65,456
Miscellaneous income	375,162	24,436	399,598
Total operating revenue	5,577,854	790,708	6,368,562
Operating expenses			
Personal services	1,748,329	179,472	1,927,801
Utilities	223,983	—	223,983
Operating supplies	614,578	9,606	624,184
Repairs and maintenance	264,481	8,850	273,331
Contractual services	106,449	532,555	639,004
Other operating	452,433	37,848	490,281
Depreciation	2,933,011	9,539	2,942,550
Total operating expenses	6,343,264	777,870	7,121,134
Operating income (loss)	(765,410)	12,838	(752,572)
Nonoperating revenues (expenses)			
Gain (loss) on disposal of assets	243,165	—	243,165
Interest income	866	—	866
Revenue bond and loan interest expense	(809,971)	—	(809,971)
Grant revenue	401,385	—	401,385
Total non operating revenues (expenses)	(164,555)	—	(164,555)
Change in net position	(929,965)	12,838	(917,127)
Net position - beginning	46,650,904	(90,507)	46,560,397
Net position - ending	\$45,720,939	\$ (77,669)	\$45,643,270

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016**

Business-type Activities/Enterprise Funds			
	Water Sewer and Wastewater	Solid Waste	Total
Cash flows from operating activities			
Receipts from customers	\$ 5,493,620	\$ 803,103	\$ 6,296,723
Payments to suppliers	(1,634,324)	(571,077)	(2,205,401)
Payments to employees	(1,759,828)	(181,829)	(1,941,657)
Net cash provided (used) by operating activities	<u>2,099,468</u>	<u>50,197</u>	<u>2,149,665</u>
Cash flows from noncapital financing activities			
Capital contributions - grants	401,385	—	401,385
Payments (to) from other funds	16,925	2,936	19,861
Net cash provided by noncapital financing activities	<u>418,310</u>	<u>2,936</u>	<u>421,246</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(679,534)	(53,133)	(732,667)
Proceeds from sale of assets	243,165	—	243,165
Repayment of debt	(844,967)	—	(844,967)
Interest paid on long-term debt	(821,646)	—	(821,646)
Net cash used by capital and related financing activities	<u>(2,102,982)</u>	<u>(53,133)</u>	<u>(2,156,115)</u>
Cash flows from investing activities			
Interest earned	866	—	866
Net cash provided by investing activities	<u>866</u>	<u>—</u>	<u>866</u>
Increase in cash and cash equivalents	415,662	—	415,662
Cash and cash equivalents – beginning	<u>1,796,627</u>	<u>—</u>	<u>1,796,627</u>
Cash and cash equivalents – ending	<u>\$ 2,212,289</u>	<u>\$ —</u>	<u>\$ 2,212,289</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, 2016**

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>\$ (765,410)</u>	<u>\$ 12,838</u>	<u>\$ (752,572)</u>
Adjustments to reconcile			
Depreciation	2,933,011	9,539	2,942,550
(Increase) decrease in assets			
Accounts receivable, net	(84,234)	12,395	(71,839)
Deferred outflows	(360,766)	(34,073)	(394,839)
Increase (decrease) in liabilities			
Accounts payable	22,213	6,652	28,865
Accrued wages	(47,357)	(2,379)	(49,736)
Compensated absences	(11,499)	22	(11,477)
Customer deposits	6,020	—	6,020
Other postemployment benefits	(16,183)	5,193	(10,990)
Net pension liability	526,244	49,697	575,941
Deferred inflows	<u>(102,571)</u>	<u>(9,687)</u>	<u>(112,258)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,099,468</u>	<u>\$ 50,197</u>	<u>\$ 2,149,665</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 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, 2016, were \$132,680 and \$741,977 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, 2016, 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**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 June 13, 2017, 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	\$17,132,557
Less: accumulated depreciation	<u>(5,956,589)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$11,175,968</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	\$ 193,463
Accrued compensated absences	89,540
Other postemployment benefits	<u>105,453</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 388,456</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:

Contributed capital asset	\$ 15,086
Capital outlay	211,377
Depreciation expense	<u>(404,194)</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>\$ (177,731)</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	\$ 11,120
Increase in compensated absences	<u>8,175</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>\$ 19,295</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, 2016, 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, 2016, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

As September 30, 2016, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2016, 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>(1)</i>	\$6,082,492	\$ —	\$6,082,492
Total		\$6,082,492	—	\$6,082,492

(1) 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.

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

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

NOTE 4- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>September 30,</u> <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30,</u> <u>2016</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,854,090	\$ —	\$ —	\$ 5,854,090
Construction in progress	<u>—</u>	<u>137,181</u>	<u>—</u>	<u>137,181</u>
Total capital assets, not being depreciated	<u>5,854,090</u>	<u>137,181</u>	<u>—</u>	<u>5,991,271</u>
Capital assets being depreciated:				
Buildings	1,680,059	—	—	1,680,059
Improvements	6,891,779	10,739	—	6,872,518
Furniture, equipment, and vehicles	<u>2,510,166</u>	<u>78,543</u>	<u>—</u>	<u>2,588,709</u>
Total capital assets being depreciated	<u>11,052,004</u>	<u>89,282</u>	<u>—</u>	<u>11,141,286</u>
Less accumulated depreciation for:				
Buildings	(1,071,149)	(17,951)	—	(1,089,100)
Improvements	(2,314,626)	(299,483)	—	(2,614,109)
Furniture, equipment, and vehicles	<u>(2,166,620)</u>	<u>(86,760)</u>	<u>—</u>	<u>(2,253,380)</u>
Total accumulated depreciation	<u>(5,552,395)</u>	<u>(404,194)</u>	<u>—</u>	<u>(5,956,589)</u>
Total capital assets being depreciated, net	<u>5,499,609</u>	<u>(314,912)</u>	<u>—</u>	<u>5,184,697</u>
Total Governmental activities, capital assets, (net of accumulated depreciation)	<u>\$ 11,353,699</u>	<u>\$ (177,731)</u>	<u>\$ —</u>	<u>\$ 11,175,968</u>

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

Administration	12,012
Police	20,606
Fire	42,295
Streets and highways	123,672
Parks and recreation	197,115
Maintenance Shop	<u>8,494</u>
Total depreciation expense – governmental activities	<u>\$ 404,194</u>

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

NOTE 4- CAPITAL ASSETS (continued)

	<u>September 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2016</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,396,638	\$ —	\$ —	\$ 1,396,638
Construction in progress	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total capital assets, not being depreciated	<u>1,396,638</u>	<u>—</u>	<u>—</u>	<u>1,396,638</u>
Capital assets being depreciated:				
Solid waste facility	100,556	—	—	100,556
Wastewater treatment plant and Improvements	59,546,133	152,954	—	59,699,087
Water and sewer distribution system	33,332,460	412,781	—	33,745,241
Furniture, equipment and vehicles	<u>2,694,097</u>	<u>166,932</u>	<u>—</u>	<u>2,861,029</u>
Total capital assets being depreciated	<u>95,673,246</u>	<u>732,667</u>	<u>—</u>	<u>96,405,913</u>
Accumulated depreciation				
Solid waste facility	(92,369)	(9,539)	—	(101,908)
Wastewater treatment plant and Improvements	(22,782,435)	(1,926,125)	—	(24,708,560)
Water and sewer distribution system	(6,544,007)	(803,373)	—	(7,347,380)
Furniture, equipment and vehicles	<u>(1,668,265)</u>	<u>(203,513)</u>	<u>—</u>	<u>(1,871,778)</u>
Total accumulated depreciation	<u>(31,087,076)</u>	<u>(2,942,550)</u>	<u>—</u>	<u>(34,029,626)</u>
Total capital assets being depreciated, net	<u>64,586,170</u>	<u>(2,209,883)</u>	<u>—</u>	<u>62,376,287</u>
Total business-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 65,982,808</u>	<u>\$ (2,209,883)</u>	<u>\$ —</u>	<u>\$ 63,772,925</u>

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

Water, sewer and wastewater	\$2,933,011
Solid waste	<u>9,539</u>
Total depreciation expense-business-type activities	<u>\$2,942,550</u>

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

NOTE 5- LONG - TERM DEBT

Long-term obligations and debt at September 30, 2016, are as follows:

	<u>Balance September 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2016</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%.	\$ 204,583	\$ —	\$ (11,120)	\$ 193,463	\$ 11,597
Liability for compensated absences	81,365	8,175	—	89,540	22,385
Other postemployment benefit liability	<u>105,170</u>	<u>283</u>	<u>—</u>	<u>105,453</u>	<u>—</u>
Total governmental activities Long-term obligations	<u>\$ 391,118</u>	<u>\$ 8,458</u>	<u>\$ (11,120)</u>	<u>\$ 388,456</u>	<u>\$ 33,982</u>

Future debt service requirements for the governmental funds:

<u>Year Ending September 30,</u>	<u>Governmental Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 11,597	\$ 8,254	\$ 19,851
2018	12,094	7,757	19,851
2019	12,614	7,237	19,851
2020	13,156	6,695	19,851
2021	13,722	6,129	19,851
2022-2026	78,005	21,250	99,255
2027-2029	<u>52,275</u>	<u>4,198</u>	<u>56,473</u>
Total	<u>\$ 193,463</u>	<u>\$ 61,520</u>	<u>\$ 254,983</u>

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

NOTE 5- LONG - TERM DEBT (continued)

	<u>Balance September 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2016</u>	<u>Due Within One Year</u>
Business-type activities					
Water, sewer and					
Wastewater fund					
Water and Sewer System					
Fixed Rate Loan Due 2032	\$14,734,252	\$ —	\$ (631,651)	\$ 14,102,601	\$ 217,776
State Revolving Fund –					
Sewer Headworks, dated					
5/3/2011; payable					
semi-annually to 2029.					
Interest at 2.35%	2,083,716	—	(101,013)	1,982,703	115,075
State Revolving Fund –					
Water distribution, dated					
2/6/2012; payable					
semi-annually to 2017.					
Interest at 2.42%	1,125,920	—	(112,303)	1,013,617	103,401
Liability for compensated					
absences	104,744	—	(11,477)	93,267	23,317
Other postemployment					
benefit liability	<u>200,233</u>	<u>—</u>	<u>(10,990)</u>	<u>189,243</u>	<u>—</u>
Total business-type					
activities long-term					
liabilities	<u>\$18,248,865</u>	<u>\$ —</u>	<u>\$ (867,434)</u>	<u>\$ 17,381,431</u>	<u>\$ 459,569</u>

Future debt service requirements:

<u>Year Ending September 30,</u>	<u>Enterprise Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 436,252	\$ 310,021	\$ 746,273
2018	670,445	534,043	1,204,488
2019	691,150	513,339	1,204,489
2020	712,511	491,978	1,204,489
2021	734,549	469,940	1,204,489
2022-2026	3,758,331	1,998,455	5,756,786
2027-2031	9,948,883	799,945	10,748,828
2032	146,800	2,593	149,393
Total	<u>\$ 17,098,921</u>	<u>\$ 5,120,314</u>	<u>\$ 22,219,235</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 \$255,203. Principal and interest paid for the current year and total pledged revenues were \$19,851 and \$22,960 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 on 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 \$18,708,006. Principal and interest paid for the current year and total pledged revenues were \$916,435 and \$5,577,854 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, 2016, were as follows:

	<u>Due from Other funds</u>	<u>Due to Other funds</u>
General fund	\$17,870,300	\$15,453,730
Water, sewer and wastewater	<u>31,133,396</u>	<u>33,549,966</u>
Total	<u>\$49,003,696</u>	<u>\$49,003,696</u>

The interfunds loans were for operating advances.

NOTE 7- EMPLOYEE BENEFITS

A. Florida Retirement System

Plan Description – The County contributes to the Florida Retirement System (the FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides retirement, disability or death benefits to retirees or their designated beneficiaries along with an annual cost-of-living adjustment. Employees are classified in either the regular service class or the senior management service class. Currently, the active participants for Port St. Joe, Florida are 173 out of total of 512,909 active FRS participants.

The Florida Legislature created the Florida Retirement Investment Plan (the “investment Plan”), a defined contribution plan qualified under Section 401 (a) of the Internal Revenue Code. The Investment Plan is administered by the Department of Management Services and is an alternative available to members of the Florida Retirement System in lieu of participation in the defined benefit retirement plan (“the Pension Plan”). If the Investment Plan is elected, active membership in the Pension Plan is terminated. Eligible members of the Investment Plan are vested at one year of service and receive a contribution in an investment product with a third party administrator selected by the State Board of Administration.

Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions and contribution requirements. Changes to the law can only occur through an act of the Florida Legislature. There are uniform contribution rates as discussed on the following page that cover both the defined benefit and defined contribution plans. Information for the required employer contributions made to the Investment Plan were unavailable from FRS.

Additional Financial and Actuarial Information – Additional audited financial information supporting the Schedules of Employer Allocations and the Schedule of Pension Amounts by Employer is located in the Florida Comprehensive Annual Financial Report (CAFR) and in the Florida Retirement System Pension Plan, and Other State-Administered Systems CAFR.

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

NOTE 7- EMPLOYEE BENEFITS (continued)

See <http://www.myfloridacfo.com/Division/AA/Reports/default.htm> for an available copy of the Florida CAFR online.

The FRS CAFR and actuarial valuation reports as of July 1, 2016 are available online at http://ww.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

Reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P O Box 9000
Tallahassee, Florida 32315-900
850-488-4706 or toll free at 877-377-1737

Funding Policy – Prior to July 1, 2011, the FRS was employee noncontributory. Beginning July 1, 2011, employees who are not participating in the Deferred Retirement Option Plan (DROP) are required to contribute 3% of their salary to the FRS. The County is required to contribute at an actuarially-determined rate.

The FRS relies upon contributions from employees and employers, along with investment income, to meet the funding requirements of an actuarially determined accrued liability. As of July 1, 2016, the date of the latest valuation, the FRS funded ratio was 86.50% on the valuation funding basis and 89.70% on a Market Value of Assets basis.

The County also participates in the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing, multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*. The benefit is a monthly cash payment to assist retirees of state-administered retirement systems in paying their health insurance costs.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (“DROP”). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. DROP benefits are held in the FRS Trust Fund and accrue interest.

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

NOTE 7- EMPLOYEE BENEFITS (continued)

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2016, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2016, 2015, and 2014 were \$236,279, \$231,419 and \$219,748, respectively, which is equal to 100% of the required contribution for each year.

Contributions

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City's contribution rates as of September 30, 2016 were as follows:

	FRS	HIS
Regular Class	7.52%	1.66%
Special Risk Class	22.57%	1.66%
Senior Management Service Class	21.77%	1.66%
Elected Officials	42.47%	1.66%
DROP	12.99%	1.66%

Net Pension Liability – At September 30, 2016, the City reported for its share of the FRS and HIS plans the amount for the net pension liability as shown below:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
June 30, 2016	\$1,825,351	\$819,927	\$2,645,278
June 30, 2015	\$1,004,672	\$743,810	\$1,748,482

The net pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2016 and July 1, 2015 for the net pension liability as of June 30, 2016 and 2015, respectively.

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

NOTE 7- EMPLOYEE BENEFITS (continued)

At September 30, 2016, the City reported for its proportionate share of the employer portion for the FRS and HIS net pension liability the percentages below:

	<u>FRS</u>	<u>HIS</u>
June 30, 2016	0.007229092%	0.007035234%
June 30, 2015	0.007778300%	0.007293375%
Increase in Share for 2016	(0.000549208)%	(0.000258141)%

The City's proportionate share of the net pension liability was based on the City's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members of FRS.

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2016, was determined by an actuarial valuation dated July 1, 2016, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	<u>FRS</u>	<u>HIS</u>
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.60%	N/A
Discount rate	7.60%	2.85%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

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

The following changes in key actuarial assumptions occurred in 2016:

FRS: The long-term expected rate of return was decreased from 7.65% to 7.6%, and the active member mortality assumption was updated.

HIS: The municipal rate used to determine total pension liability was decreased from 3.8% to 2.85%.

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

NOTE 7- EMPLOYEE BENEFITS (continued)

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>
Cash	1.00%	3.0%	3.0%
Fixed Income	18.00%	4.7%	4.6%
Global Equity	53.00%	8.1%	6.8%
Real Estate (Property)	10.00%	6.4%	5.8%
Private Equity	6.00%	11.5%	7.8%
Strategic Investments	12.00%	6.1%	5.6%
Total	<u>100.00%</u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.6%. FRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.85% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis – the tables below represent the sensitivity of the net pension liability to changes in the discount rate for Port St. Joe, Florida. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate shows as 1.00% higher or 1.00% lower than the current discounted rate at June 30, 2016.

<u>FRS Net Pension Liability</u>		
1% Decrease	Current Discount Rate	1% Increase
6.60%	7.60%	8.60%
<u>\$3,360,596</u>	<u>\$ 1,825,351</u>	<u>\$ 547,465</u>

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

NOTE 7- EMPLOYEE BENEFITS (continued)

HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase
1.85%	2.85%	3.85%
\$ 940,643	\$ 819,927	\$ 719,740

Pension Expense and Deferred Outflows (Inflows) of Resources – In accordance with GASB 68, paragraph 71, changes in the net pension liability are recognized as pension expense in the current measurement period with the following exceptions shown below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or inflows of resources using rational method over a time period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes of Assumptions or other inputs which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

For the fiscal year ended September 30, 2016, the County recognized pension expense of \$261,786 for the FRS plan. In addition the County reported deferred outflows of resources and deferred inflows of resources relate to pensions from the following sources:

Description	Deferred Outflows of Resources for the FRS Plan	Deferred Inflows of Resources for the FRS Plan
Differences between expected and actual experience	\$ 139,763	\$ (16,995)
Change of assumptions	110,428	—
Net difference between projected and actual earnings on FRS Plan investments	462,249	(10,419)
Changes in proportion and differences between City FRS Plan contributions and proportionate share of contributions	914	(65,613)
City FRS Plan contributions subsequent to the measurement date	47,058	—
Total	\$ 760,412	\$ (93,027)

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

NOTE 7- EMPLOYEE BENEFITS (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	FRS Expense
2017	\$ 97,114
2018	97,114
2019	281,063
2020	192,357
2021	28,293
Thereafter	9,085

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$64,186 for the HIS plan. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources for the HIS Plan	Deferred Inflows of Resources for the HIS Plan
Differences between expected and actual experience	\$ —	\$ (1,867)
Change of assumptions	128,667	—
Net difference between projected and actual earnings on HIS Plan investments	415	—
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	5,005	(30,141)
City HIS Plan contributions subsequent to the measurement date	<u>9,582</u>	<u>—</u>
Total	<u>\$ 143,669</u>	<u>\$ (32,008)</u>

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

NOTE 7- EMPLOYEE BENEFITS (continued)

Other amounts reported by the County as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Reporting Period Ending June 30	FRS Expense
2017	\$ 22,780
2018	22,780
2019	22,701
2020	22,663
2021	19,607
Thereafter	16,684

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, 2016, 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 WASTE DISPOSAL

Solid Waste Disposal

The city has an agreement with Waste Pro, Inc. of Florida, to provide 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)	\$	18,206
Amortization of unfunded actuarial accrued liability		<u>21,792</u>
Annual required contribution		39,998
Interest on net OPEB obligation		12,974
Adjustment to annual required contribution		<u>(15,652)</u>
Annual OPEB cost (expense)		37,320
Contribution toward the OPEB cost		<u>(66,972)</u>
Increase in net OPEB obligation		(29,652)
Net OPEB obligation, beginning of year		<u>324,348</u>
Net OPEB obligation, end of year	\$	<u>294,696</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, 2016 was as follows:

<u>Year ending September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 103,162	0%	\$ 202,241
2015	103,162	0%	305,403
2016	37,320	0%	294,696

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, 2016. 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, 2016 is 24 years.

CITY OF PORT ST. JOE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – NOTE RECEIVABLE

In May 2011, the City entered into a mortgage agreement with the Port St. Joe Port Authority whereby the City made a loan in the amount of \$201,402 which is secured by real estate. The loan is to be repaid over a five year period and has an annual interest rate of 3%. No payments will be made for the first three years. Thereafter monthly interest payments will be paid with the first payment due on May 9, 2019. The note will balloon on May 9, 2021 at which time all accrued interest and remaining balance will be due.

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 Oct 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
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%
2015	\$ 0	\$ 593,064	\$593,064	0%	2,210,000	26.84%
2016	\$ 0	\$ 294,696	\$294,696	0%	2,314,000	12.74%

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

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2013	\$ 0	\$ 101,154	0%
2014	\$ 0	\$ 103,162	0%
2015	\$ 0	\$ 103,162	0%
2016	\$ 0	\$ 37,320	0%

CITY OF PORT ST. JOE, FLORIDA
PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Ten Years*
SEPTEMBER 30, 2016

Florida Retirement System

	<u>2016</u>	<u>2015</u>
Port St. Joe, Florida's proportion of the net pension liability	0.007229092%	0.007778300%
Port St. Joe, Florida's proportionate share of the net pension liability	\$ 1,825,351	\$ 1,004,672
Port St. Joe, Florida's covered-employee payroll	\$ 2,254,095	\$ 2,196,719
Port St. Joe, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	80.98%	45.74%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%

Health Insurance Subsidy Programs

	<u>2016</u>	<u>2015</u>
Port St. Joe, Florida's proportion of the net pension liability	0.007035234%	0.007293375%
Port St. Joe, Florida's proportionate share of the net pension liability	\$ 819,927	\$ 743,810
Port St. Joe, Florida's covered-employee payroll	\$ 2,254,095	\$ 2,196,719
Port St. Joe, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.37%	32.86%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%

Notes to schedules:

*The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year

*GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

**Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the measurement period ending June 30, 2016.

CITY OF PORT ST. JOE, FLORIDA
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
Last Ten Fiscal Years*
SEPTEMBER 30, 2016

Florida Retirement System

	2016	2015
Contractually required contribution	\$ 236,279	\$ 267,692
Contributions in relation to the contractually required contribution	<u>(236,279)</u>	<u>(267,692)</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>
 Port St. Joe, Florida's covered-employee payroll	 \$ 2,254,095	 \$ 2,196,719
 Contribution as a percentage of covered-employee payroll	 10.48%	 12.19%

Health Insurance Subsidy Programs

	2016	2015
Contractually required contribution	\$ 64,186	\$ 55,414
Contributions in relation to the contractually required contribution	<u>(64,186)</u>	<u>(55,414)</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>
 Port St. Joe, Florida's covered-employee payroll	 \$ 2,254,095	 \$ 2,196,719
 Contribution as a percentage of covered-employee payroll	 2.85%	 2.52%

Notes to schedules:

*Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP for the fiscal year ended September 30, 2016.

*The amounts presented for each fiscal year were determined as of 6/30 except for the covered payroll determined as of 9/30. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

COMPLIANCE SECTION

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, 2016. 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, 2016.

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

Vance CPA LLC
June 13, 2017

Vance CPA LLC

Certified Public Accountant

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

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, 2016, and have issued our report thereon dated June 13, 2017.

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; 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*; 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 June 13, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings in the preceding 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., and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedure and 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 10.556(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, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any 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
June 13, 2017

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, 2016, 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 June 13, 2017.

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 no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

June 13, 2017