

City of Port St. Joe, Florida

**Annual Financial Statements
September 30, 2013**

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CITY OF PORT ST. JOE, FLORIDA
SEPTEMBER 30, 2013

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SEPTEMBER 30, 2013**

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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, 2013, 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, 2013, and the respective changes in

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for the retiree's health insurance other post employment benefit plan and schedule of employer contributions for retiree's health insurance other post employment benefit plan on pages 3-9 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2014, 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

April 30, 2014

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, 2013 by \$66,784,917 (net position). Of this amount, \$3,859,126 (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 \$624,623.
- As of September 30, 2013, the City of Port St. Joe's general fund reported an ending fund balance of \$6,266,041, an increase of \$532,572 from prior year. \$6,169,426 of this amount is available for spending at the City's discretion (unassigned fund balance).
- Long-term debt of City increased \$203,544 from the prior year, while the liability for compensated absences increased \$8,166.

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 \$66,784,917.

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	
	2013	2012	2013	2012	2013	2012
Current/other assets	\$ 6,554,573	\$ 6,017,939	\$(1,200,559)	\$ (1,303,849)	\$ 5,354,014	\$ 4,714,090
Capital assets	<u>11,352,739</u>	<u>11,587,308</u>	<u>70,531,807</u>	<u>71,614,886</u>	<u>81,884,546</u>	<u>83,202,194</u>
Total assets	<u>17,907,312</u>	<u>17,605,247</u>	<u>69,331,248</u>	<u>70,311,037</u>	<u>87,238,560</u>	<u>87,916,284</u>
Current liabilities	150,673	176,338	394,053	751,281	544,726	927,619
Noncurrent liabilities	<u>625,489</u>	<u>624,288</u>	<u>19,283,428</u>	<u>18,954,837</u>	<u>19,908,917</u>	<u>19,579,125</u>
Total liabilities	<u>776,162</u>	<u>800,626</u>	<u>19,677,481</u>	<u>19,706,118</u>	<u>20,453,643</u>	<u>20,506,744</u>
Net investment in capital assets	11,014,635	10,963,020	51,751,190	53,069,319	62,765,825	64,032,339
Net Position - restricted	159,966	108,132	—	—	159,966	108,132
Net Position - Unrestricted	<u>5,956,549</u>	<u>5,733,469</u>	<u>(2,097,423)</u>	<u>(2,464,400)</u>	<u>3,859,126</u>	<u>3,269,069</u>
Total net position	<u>\$17,131,150</u>	<u>\$16,804,621</u>	<u>\$49,653,767</u>	<u>\$ 50,604,919</u>	<u>\$ 66,784,917</u>	<u>\$67,409,540</u>

Ninety-five percent (94%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, equipment, wastewater treatment plant and improvements, water and sewer distribution system, and freshwater canal). The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Debt associated with the City's capital assets amount to \$19,052,115.

The balance of unrestricted net position (3,859,126) may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2013, 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, 2013 and 2012.

Changes in Net Position

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues -						
Charges for services	\$ 64,067	\$ 59,521	\$ 5,433,798	\$ 4,978,289	\$ 5,497,865	\$ 5,037,810
Operating grants and contributions	100,616	126,755	—	—	100,616	126,755
Capital grants and contributions	269,354	959,322	575,089	2,621,519	844,443	3,580,841
General Revenues -						
Ad valorem taxes	1,164,247	1,137,662	—	—	1,164,247	1,137,662
Utility taxes/franchise fees	601,029	620,995	—	—	601,029	620,995
Sales tax and other	397,154	417,812	—	—	397,154	417,812
Interest	6,626	6,463	793	429	7,419	6,892
Other	727,649	174,538	—	64,500	727,649	239,038
Transfers	—	—	—	—	—	—
Total revenues	<u>3,330,742</u>	<u>3,503,068</u>	<u>6,009,680</u>	<u>7,664,737</u>	<u>9,340,422</u>	<u>11,167,805</u>
Expenses						
City commission	62,114	59,868	—	—	62,114	59,868
Administration	518,994	420,888	—	—	518,994	420,888
Police	669,865	699,964	—	—	669,865	699,964
Fire	153,679	170,191	—	—	153,679	170,191
Highways and streets	769,698	713,154	—	—	769,698	713,154
Economic environment	128,359	170,799	—	—	128,359	170,799
Parks and cemeteries	433,173	405,400	—	—	433,173	405,400
Human services	36,140	59,291	—	—	36,140	59,291
Maintenance shop	100,526	94,777	—	—	100,526	94,777
Nondepartmental	131,665	107,571	—	—	131,665	107,571
Water	—	—	2,700,492	2,550,033	2,700,492	2,550,033
Sewer	—	—	3,458,322	3,237,831	3,458,322	3,237,831
Sanitation	—	—	802,018	776,036	802,018	776,036
Total expenditures	<u>3,004,213</u>	<u>2,901,903</u>	<u>6,960,832</u>	<u>6,563,900</u>	<u>9,965,045</u>	<u>9,465,803</u>
Change in net position	<u>\$ 326,529</u>	<u>\$ 601,165</u>	<u>\$ (951,152)</u>	<u>\$ 1,100,837</u>	<u>\$ (624,623)</u>	<u>\$ 1,702,002</u>

Governmental activities increased the City's net position by \$326,529. Business-type activities decreased the City's net position by \$951,152.

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, 2013, the general fund reported a fund balance of \$6,266,041, of which \$6,169,426 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 238 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$532,572 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, 2013 amounted to \$(2,097,423).

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, 2013 amounts to \$81,817,940 (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:

- Headworks and Sprayfield

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, 2013 in the amount of \$19,052,115.

Next Year's Budgets and Rates

Utility rates were increased for fiscal year 2013, 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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,478,334	\$ 1,107,315	\$ 4,585,649
Accounts receivable, net	67,755	580,307	648,062
Prepaid expenses	76,340	—	76,340
Internal balances	2,888,181	(2,888,181)	—
Due from other governments	43,963	—	43,963
Total Current Assets	6,554,573	(1,200,559)	5,354,014
Noncurrent assets			
Unamortized loan closing costs	—	66,606	66,606
Capital assets, net of accumulated depreciation			
Nondepreciable	4,975,322	1,396,638	6,371,960
Depreciable, net	6,377,417	69,068,563	75,445,980
Total Noncurrent Assets	11,352,739	70,531,807	81,884,546
Total Assets	17,907,312	69,331,248	87,238,560
LIABILITIES			
Current liabilities			
Accounts payable	66,785	143,996	210,781
Accrued expenses	66,048	—	66,048
Deferred revenue	17,840	—	17,840
Accrued wages	—	59,445	59,445
Accrued interest	—	190,612	190,612
Total Current Liabilities	150,673	394,053	544,726
Noncurrent liabilities			
Customer deposits	—	235,949	235,949
Due within one year			
Accrued compensated absences	5,648	56,032	61,680
Loans and revenue bonds payable	74,943	435,757	510,700
Due in more than one year			
Accrued compensated absences	59,430	77,203	136,633
Loans and revenue bonds payable	263,161	18,278,254	18,541,415
Other postemployment benefits	222,307	200,233	422,540
Total Noncurrent Liabilities	625,489	19,283,428	19,908,917
Total Liabilities	776,162	19,677,481	20,453,643
NET POSITION			
Net investment in capital assets	11,014,635	51,751,190	62,765,825
Restricted for:			
Public Safety	22,107	—	22,107
Development	137,859	—	137,859
Unrestricted	5,956,549	(2,097,423)	3,859,126
Total Net position	\$17,131,150	\$49,653,767	\$66,784,917

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013**

		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	\$ 62,114	\$ —	\$ —	\$ —	\$ (62,114)	\$ —	\$ (62,114)
Administration	518,994	21,979	—	—	(497,015)	—	(497,015)
Police	669,865	—	—	13,018	(656,847)	—	(656,847)
Fire	153,679	—	—	—	(153,679)	—	(153,679)
Streets and highways	769,698	—	5,399	156,336	(607,963)	—	(607,963)
Economic environment	128,359	—	5,000	—	(123,359)	—	(123,359)
Parks and cemeteries.	433,173	18,431	—	100,000	(314,742)	—	(314,742)
Human services	36,140	—	—	—	(36,140)	—	(36,140)
Maintenance shop	100,526	—	—	—	(100,526)	—	(100,526)
Nondepartmental	131,665	23,657	90,217	—	(17,791)	—	(17,791)
Total governmental activities	3,004,213	64,067	100,616	269,354	(2,570,176)	—	(2,570,176)
Business-Type Activities							
Water utility	2,700,492	2,220,104	—	472,597	—	(7,791)	(7,791)
Wastewater utility	3,458,322	2,474,629	—	102,492	—	(881,201)	(881,201)
Solid waste utility	802,018	739,065	—	—	—	(62,953)	(62,953)
Total business-type activities	6,960,832	5,433,798	—	575,089	—	(951,945)	(951,945)
Total Primary Government	\$ 9,965,045	\$ 5,497,865	\$ 100,616	\$ 844,443	(2,570,176)	(951,945)	(3,522,121)
General Revenues:							
Taxes:							
Property tax					1,164,247	—	1,164,247
Franchise and utility taxes					601,029	—	601,029
Sales tax and other shared revenues					397,154	—	397,154
Investment earnings					6,626	793	7,419
Gain on disposition of fixed assets					44,048	—	44,048
Miscellaneous					683,601	—	683,601
Total General Revenues					2,896,705	793	2,897,498
Changes in Net Position					326,529	(951,152)	(624,623)
Net Position – Beginning of Year					16,804,621	50,604,919	67,409,540
Net Position – End of Year					\$ 17,131,150	\$ 49,653,767	\$ 66,784,917

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Downtown Redevelopment</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,342,307	\$ 136,027	\$ 3,478,334
Accounts receivable, net	67,755	—	67,755
Prepaid expenses	74,508	1,832	76,340
Due from other funds	17,493,668	—	17,493,668
Due from other governments	43,963	—	43,963
Total Assets	<u>21,022,201</u>	<u>137,859</u>	<u>21,160,060</u>
Liabilities and fund balance			
Accounts payable	65,610	—	65,610
Accrued expenses	66,048	—	66,048
Deposits held	1,175	—	1,175
Due to other funds	14,605,487	—	14,605,487
Deferred revenue	17,840	—	17,840
Total Liabilities	<u>14,756,160</u>	<u>—</u>	<u>14,756,160</u>
Fund balance			
Nonspendable	74,508	—	74,508
Restricted for:			
Development	—	137,859	137,859
Public Safety	22,107	—	22,107
Unassigned	6,169,426	—	6,169,426
Total Fund Balance	<u>6,266,041</u>	<u>137,859</u>	<u>6,403,900</u>
Total liabilities and fund balance	<u>21,022,201</u>	<u>137,859</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 11,352,739

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (625,489)

Net position of governmental activities **\$17,131,150**

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, 2013

	Other		
	General Fund	Downtown Redevelopment	Total
Revenues			
Taxes	\$ 1,480,149	\$ 209,726	\$ 1,689,875
Licenses and permits	9,325		9,325
Intergovernmental	668,675	—	668,675
Charges for services	50,601	—	50,601
Fines and forfeitures	4,141	—	4,141
Investment earnings and other	907,851	184	908,035
Total revenues	<u>3,120,742</u>	<u>209,910</u>	<u>3,330,652</u>
Expenditures			
Current			
City commission	60,722	—	60,722
Administration	471,475	—	471,475
Police	605,530	—	605,530
Fire	79,306	—	79,306
Streets and highways	606,111	—	606,111
Economic environment	—	118,460	118,460
Parks and cemeteries	233,519	—	233,519
Human services	36,140	—	36,140
Maintenance shop	87,244	—	87,244
Nondepartmental	121,401	—	121,401
Capital outlay	266,872	—	266,872
Debt service	19,850	61,723	81,573
Total expenditures	<u>2,588,170</u>	<u>180,183</u>	<u>2,768,353</u>
Net change in fund balance	532,572	29,727	562,299
Fund balance – beginning	<u>5,733,469</u>	<u>108,132</u>	<u>5,841,601</u>
Fund balance - ending	<u>\$ 6,266,041</u>	<u>\$ 137,859</u>	<u>\$ 6,403,900</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, 2013**

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

Net change in fund balances – total governmental funds.	\$ 562,299
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	266,872
Depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.	(501,441)
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.	61,410
Other postemployment 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>(62,611)</u>
Change in net position of governmental activities	<u>\$ 326,529</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, 2013

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final
	<u>Original</u>	<u>Final</u>		Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,674,556	\$ 1,674,556	\$ 1,480,149	\$ (194,407)
Licenses and permits	21,400	21,400	9,325	(12,075)
Intergovernmental	591,583	591,583	668,675	77,092
Fines and forfeitures	9,446	9,446	4,141	(5,305)
Charges for services	72,906	72,906	50,601	(22,305)
Investment earnings and other	<u>188,231</u>	<u>188,231</u>	<u>907,851</u>	<u>719,620</u>
Total revenues	<u>2,558,122</u>	<u>2,558,122</u>	<u>3,120,742</u>	<u>562,620</u>
Expenditures:				
Current				
City commission	62,647	62,647	60,722	1,925
Administration	1,529,935	1,529,935	471,475	1,058,460
Police	617,123	617,123	605,530	11,593
Fire	90,631	90,631	79,306	11,325
Streets and highways	594,803	594,803	606,111	(11,308)
Parks and cemeteries	212,552	212,552	233,519	(20,967)
Human services	42,953	42,953	36,140	6,813
Maintenance shop	80,544	80,544	87,244	(6,700)
Nondepartmental	189,937	189,937	121,401	68,536
Debt service	20,000	20,000	19,850	150
Capital outlay	<u>257,771</u>	<u>257,771</u>	<u>266,872</u>	<u>(9,101)</u>
Total expenditures	<u>3,698,896</u>	<u>3,698,896</u>	<u>2,588,170</u>	<u>1,110,726</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(1,140,774)</u>	<u>(1,140,774)</u>	<u>532,572</u>	<u>1,673,346</u>
Other financing sources (uses)				
Cash carry forward	1,160,774	1,160,774	—	(1,160,774)
Debt issuance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing				
Sources (uses)	<u>1,160,774</u>	<u>1,160,774</u>	<u>—</u>	<u>(1,160,774)</u>
Net change in fund balance	20,000	20,000	532,572	512,572
Fund balance - beginning	<u>5,733,469</u>	<u>5,733,469</u>	<u>5,733,469</u>	<u>—</u>
Fund balance - ending	<u>\$ 5,753,469</u>	<u>\$ 5,753,469</u>	<u>\$ 6,266,041</u>	<u>\$ 512,572</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

Business-type Activities/Enterprise Funds

	Water, Sewer and Wastewater	Solid Waste	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,107,315	\$ —	\$ 1,107,315
Accounts receivable (net)	512,881	67,426	580,307
Due from other funds	30,590,713	581,840	31,172,553
Total current assets	<u>32,210,909</u>	<u>649,266</u>	<u>32,860,175</u>
Property, plant and equipment			
Land and land improvements	1,396,638	—	1,396,638
Plant and equipment	94,837,039	100,557	94,937,596
Accumulated depreciation	(28,309,166)	(89,092)	(28,398,258)
Construction in progress	<u>2,529,225</u>	<u>—</u>	<u>2,529,225</u>
Net property, plant and equipment	<u>70,453,736</u>	<u>11,465</u>	<u>70,465,201</u>
Other assets			
Unamortized loan closing costs	<u>66,606</u>	<u>—</u>	<u>66,606</u>
Total other assets	<u>66,606</u>	<u>—</u>	<u>66,606</u>
Total assets	<u>102,731,251</u>	<u>660,731</u>	<u>103,391,982</u>

See accompanying notes to the basic financial statements

CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

Business-type Activities/Enterprise Funds			
	Water, Sewer and Wastewater	Solid Waste	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 93,860	\$ 50,136	\$ 143,996
Accrued wages	53,670	5,775	59,445
Accrued interest	190,612	—	190,612
Due to other funds	<u>33,623,845</u>	<u>436,889</u>	<u>34,060,734</u>
Total current liabilities	<u>33,961,987</u>	<u>492,800</u>	<u>34,454,787</u>
Noncurrent liabilities			
Customer Deposits	235,949	—	235,949
Due within one year			
Accrued compensated absences	47,684	8,348	56,032
Loans and revenue bonds payable	435,757	—	435,757
Due in more than one year			
Accrued compensated absences	62,757	14,446	77,203
Loans and revenue bonds payable	18,278,254	—	18,278,254
Other postemployment benefits	<u>189,095</u>	<u>11,138</u>	<u>200,233</u>
Total noncurrent liabilities	<u>19,249,496</u>	<u>33,932</u>	<u>19,283,428</u>
Total liabilities	<u>53,211,483</u>	<u>526,732</u>	<u>53,738,215</u>
Net Position			
Net investment in capital assets	51,739,725	11,465	51,751,190
Unrestricted	<u>(2,219,957)</u>	<u>122,534</u>	<u>(2,097,423)</u>
Total net position	<u>49,519,768</u>	<u>133,999</u>	<u>49,653,767</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, 2013

Business-type Activities/Enterprise Funds			
	Water Sewer and Wastewater	Solid Waste	Total
Operating revenues			
Solid waste charges	\$ —	\$ 735,673	\$ 735,673
Wastewater charges	2,032,091	—	2,032,091
Water and sewer charges	2,193,996	—	2,193,996
Connection fees	21,800	—	21,800
Miscellaneous income	446,846	3,392	450,238
Total operating revenue	<u>4,694,733</u>	<u>739,065</u>	<u>5,433,798</u>
Operating expenses			
Personal services	1,637,204	176,742	1,813,946
Utilities	338,122	—	338,122
Operating supplies	367,834	12,734	380,568
Repairs and maintenance	221,913	6,680	228,593
Contractual services	142,210	544,376	686,586
Other operating	373,534	59,848	433,382
Depreciation	2,491,111	1,638	2,492,749
Total operating expenses	<u>5,571,928</u>	<u>802,018</u>	<u>6,373,946</u>
Operating income (loss)	<u>(877,195)</u>	<u>(62,953)</u>	<u>(940,148)</u>
Nonoperating revenues (expenses)			
Interest income	793	—	793
Revenue bond and loan interest expense	(586,886)	—	(586,886)
Grant revenue	575,089	—	575,089
Total non operating revenues (expenses)	<u>(11,004)</u>	<u>—</u>	<u>(11,004)</u>
Change in net position	(888,199)	(62,953)	(951,152)
Net position - beginning	50,407,967	196,952	50,604,919
Net position - ending	<u>\$49,519,768</u>	<u>\$ 133,999</u>	<u>\$49,653,767</u>

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

Business-type Activities/Enterprise Funds			
	Water Sewer and Wastewater	Solid Waste	Total
Cash flows from operating activities			
Receipts from customers	\$ 4,646,553	\$ 739,618	\$ 5,386,171
Payments to suppliers	(1,418,679)	(624,367)	(2,043,046)
Payments to employees	(1,648,113)	(176,504)	(1,824,617)
Net cash provided (used) by operating activities	<u>1,579,761</u>	<u>(61,253)</u>	<u>1,518,508</u>
Cash flows from noncapital financing activities			
Capital contributions - grants	575,089	—	575,089
Payments (to) from other funds	(46,199)	61,253	15,054
Net cash provided by noncapital financing activities	<u>528,890</u>	<u>61,253</u>	<u>590,143</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(1,439,274)	—	(1,439,274)
Debt proceeds	791,245	—	791,245
Repayment of debt	(526,591)	—	(526,591)
Interest paid on long-term debt	(588,416)	—	(588,416)
Net cash used by capital and related financing activities	<u>(1,763,036)</u>	<u>—</u>	<u>(1,763,036)</u>
Cash flows from investing activities			
Interest earned	793	—	793
Net cash provided by investing activities	<u>793</u>	<u>—</u>	<u>793</u>
Increase in cash and cash equivalents	346,408	—	346,408
Cash and cash equivalents – beginning	<u>760,907</u>	<u>—</u>	<u>760,907</u>
Cash and cash equivalents – ending	<u>\$ 1,107,315</u>	<u>\$ —</u>	<u>\$ 1,107,315</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, 2013**

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>\$ (877,195)</u>	<u>\$ (62,953)</u>	<u>\$ (940,148)</u>
Adjustments to reconcile			
Depreciation	2,491,111	1,638	2,492,749
Amortization	29,604	—	29,604
(Increase) decrease in assets			
Accounts receivable, net	227,511	553	228,064
Increase (decrease) in liabilities			
Accounts payable	(379,488)	(3,937)	(383,425)
Accrued wages	5,522	387	5,909
Compensated absences	10,909	(149)	10,760
Customer deposits	17,318	—	17,318
Other postemployment benefits	<u>54,469</u>	<u>3,208</u>	<u>57,677</u>
Net cash provided by (used in) operating activities	<u>\$ 1,579,761</u>	<u>\$ (61,253)</u>	<u>\$ 1,518,508</u>

See accompanying notes to the basic financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Component Unit- Downtown Redevelopment Agency

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement Focus and Basic Accounting

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units, if any, for which the primary government is financially accountable.

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

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

The City reports the following major governmental fund:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary funds:

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Budgets and Budgetary Accounting

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are recorded at their net realizable value. The balances at September 30, 2013, were \$67,755 and \$580,307 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 Issuance Costs

Bond issuance costs associated with the issuance of revenue bonds are amortized over the life of the bonds using the straight-line method.

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 Revenues

Deferred revenues 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 revenues 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 revenues.

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, 2013, was 3.5914 mills. The tax levy of the City is established by the City Commission prior to October 1, of each year.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

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

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

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

These classifications may consist of the following:

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

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

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

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

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

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

Use of Estimates

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

Use of Restricted Asset

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

Subsequent events

The City evaluated subsequent events through April 30, 2014, the date which the financial statements were available to be issued. The City did not have any subsequent events requiring disclosure or recording in these financial statements.

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

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

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

Cost of capital assets	\$16,198,970
Less: accumulated depreciation	<u>(4,846,231)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$11,352,739</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	\$ 338,104
Accrued compensated absences	65,078
Other postemployment benefits	<u>222,307</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i>	<u>\$ 625,489</u>

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

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

Capital outlay	\$ 266,872
Depreciation expense	<u>(501,441)</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>\$(234,569)</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	\$ 61,410
Increase in compensated absences	<u>19,224</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>\$ 80,634</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, 2013, 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, 2013, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

As September 30, 2013, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2013, the City’s cash and investments consisted of the following:

	Credit Rating	Current	0-5 Years	Total Carrying Amount
Cash included money				
Market fund	(1)	\$3,457,448	\$ —	\$3,457,448
Local Government Surplus				
Trust Fund Pool		20,886	—	20,886
Total		\$3,478,334	—	\$3,478,334

(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.

Local Government Surplus Funds Trust Fund (Florida PRIME)

The Florida PRIME portion of the pool \$16,775 is considered a SEC 2a7- like fund and the account balance is the fair value of the investment.

The Fund B portion \$4,111 is accounted for as a fluctuating NAV pool.

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

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Credit quality disclosure - Florida PRIME is rated by Standard and Poor's. The current rating is AAAM. Fund B is not rated by any nationally recognized statistical rating agency.

Interest rate risk - The weighted average days to maturity of the Florida PRIME at September 30, 2013 is 44 days. The weighted average life of Fund B (based on expected future cash flows) at September 30, 2013 is estimated at 4.04 years. However because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

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

NOTE 4- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>September 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2013</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,804,198	\$ —	\$ —	\$ 4,804,198
Construction in progress	<u>415,282</u>	<u>62,157</u>	<u>(306,315)</u>	<u>171,124</u>
Total capital assets, not being depreciated	<u>5,219,480</u>	<u>62,157</u>	<u>(306,315)</u>	<u>4,975,322</u>
Capital assets being depreciated:				
Buildings	1,528,047	63,464	—	1,591,511
Improvements	6,751,438	433,916	—	7,185,354
Furniture, equipment, and vehicles	<u>2,666,105</u>	<u>13,650</u>	<u>(232,972)</u>	<u>2,446,783</u>
Total capital assets being depreciated	<u>10,945,590</u>	<u>511,030</u>	<u>(232,972)</u>	<u>11,223,648</u>
Less accumulated depreciation for:				
Buildings	1,006,088	20,950	—	1,027,038
Improvements	1,549,196	306,501	—	1,855,697
Furniture, equipment, and vehicles	<u>2,022,478</u>	<u>173,990</u>	<u>(232,972)</u>	<u>1,963,496</u>
Total accumulated depreciation	<u>4,577,762</u>	<u>501,441</u>	<u>(232,972)</u>	<u>4,846,231</u>
Total capital assets being depreciated, net	<u>6,367,828</u>	<u>9,589</u>	<u>—</u>	<u>6,377,417</u>
Total Governmental activities, capital assets, (net of accumulated depreciation)	<u>\$ 11,587,308</u>	<u>\$ 71,746</u>	<u>\$ (306,315)</u>	<u>\$ 11,352,739</u>

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

NOTE 4- CAPITAL ASSETS (continued)

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

Administration	37,108
Police	40,333
Fire	72,925
Streets and highways	125,635
Parks and recreation	199,251
CRA	16,087
Maintenance Shop	<u>10,102</u>
Total depreciation expense – governmental activities	<u>\$ 501,441</u>

The construction in progress as of September 30, 2013 consists of:

Ballpark complex	108,967
Lighthouse	<u>62,157</u>
Total CIP as of 9/30/13	<u>\$ 171,124</u>

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

NOTE 4- CAPITAL ASSETS (continued)

	<u>September 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2013</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,396,638	\$ —	\$ —	\$ 1,396,638
Construction in progress	<u>10,694,161</u>	<u>1,322,081</u>	<u>(9,487,017)</u>	<u>2,529,225</u>
Total capital assets, not being depreciated	<u>12,090,799</u>	<u>1,322,081</u>	<u>(9,487,017)</u>	<u>3,925,863</u>
Capital assets being depreciated:				
Solid waste facility	100,557	—	—	100,557
Wastewater treatment plant and Improvements	51,847,675	9,308,418	—	61,156,093
Water and sewer distribution system	31,143,691	15,493	—	31,159,184
Furniture, equipment and vehicles	<u>2,241,463</u>	<u>280,299</u>	<u>—</u>	<u>2,521,762</u>
Total capital assets being depreciated	<u>85,333,386</u>	<u>9,604,210</u>	<u>—</u>	<u>94,937,596</u>
Accumulated depreciation				
Solid waste facility	87,455	1,638	—	89,093
Wastewater treatment plant and Improvements	18,905,771	1,703,104	—	20,608,875
Water and sewer distribution system	5,693,311	655,137	—	6,348,448
Furniture, equipment and vehicles	<u>1,218,972</u>	<u>132,870</u>	<u>—</u>	<u>1,351,842</u>
Total accumulated depreciation	<u>25,905,509</u>	<u>2,492,749</u>	<u>—</u>	<u>28,398,258</u>
Total capital assets being depreciated, net	<u>59,427,877</u>	<u>7,111,461</u>	<u>—</u>	<u>66,539,338</u>
Total business-type activities', capital assets, (net of accumulated depreciation)	<u>\$ 71,518,676</u>	<u>\$ 8,433,542</u>	<u>\$ (9,487,017)</u>	<u>\$ 70,465,201</u>

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

Water, sewer and wastewater	\$2,491,111
Solid waste	<u>1,638</u>
Total depreciation expense-business-type activities	<u>\$2,492,749</u>

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

NOTE 5- LONG - TERM DEBT

Long-term obligations and debt at September 30, 2013, are as follows:

	<u>Balance September 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2013</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%.	\$ 234,617	\$ —	\$ (9,586)	\$ 225,031	\$ 10,005
Land note secured by property payable in annual installments including interest at 6% maturing January 2014.	164,897	—	(51,824)	113,073	64,938
Liability for compensated absences	45,854	35,644	(16,420)	65,078	5,648
Other postemployment benefit liability	<u>178,830</u>	<u>43,477</u>	<u>—</u>	<u>222,307</u>	<u>—</u>
Total governmental activities Long-term obligations	<u>\$ 624,198</u>	<u>\$ 79,121</u>	<u>\$ (77,830)</u>	<u>\$ 625,489</u>	<u>\$ 80,591</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>
2014	\$ 64,938	\$ 16,635	\$ 81,573
2015	68,583	12,991	81,574
2016	10,900	8,951	19,851
2017	11,377	8,474	19,851
2018	11,874	7,977	19,851
2019-2023	67,634	31,621	99,255
2024-2028	83,781	15,474	99,255
2029	<u>19,017</u>	<u>834</u>	<u>19,851</u>
Total	<u>\$ 338,104</u>	<u>\$ 102,957</u>	<u>\$ 441,061</u>

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

NOTE 5- LONG - TERM DEBT (continued)

	<u>Balance September 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2013</u>	<u>Due Within One Year</u>
Business-type activities					
Water, sewer and Wastewater fund					
Water and Sewer System					
Fixed Rate Loan Due 2015	\$15,679,220	\$ —	\$ (345,000)	\$ 15,334,220	\$ 196,769
State Revolving Fund –					
Sewer Headworks, dated 5/3/2011; payable semi-annually to 2029.					
Interest at 2.35%	2,218,736	144,805	(119,486)	2,244,055	111,398
State Revolving Fund –					
Water distribution, dated 2/6/2012; payable semi-annually to 2017.					
Interest at 2.42%	551,401	646,440	(62,105)	1,135,736	127,590
Liability for compensated absences	144,293	—	(11,058)	133,235	56,032
Other postemployment benefit liability	142,556	57,677	—	200,233	—
Total business-type activities long-term liabilities	<u>\$18,736,206</u>	<u>\$ 848,922</u>	<u>\$ (537,649)</u>	<u>\$ 19,047,479</u>	<u>\$ 491,789</u>

Future debt service requirements:

<u>Year Ending September 30,</u>	<u>Enterprise Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 416,596	\$ 340,365	\$ 756,961
2015	628,763	586,416	1,215,179
2016	648,047	567,133	1,215,180
2017	667,938	547,240	1,215,178
2018	688,456	526,723	1,215,179
2019-2023	3,659,799	2,302,685	5,962,484
2024-2028	3,645,948	1,736,624	5,382,572
2029-2030	8,358,464	146,889	8,505,353
Total	<u>\$ 18,714,011</u>	<u>\$ 6,754,075</u>	<u>\$ 25,468,086</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 93 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$317,614. Principal and interest paid for the current year and total pledged revenues were \$19,485 and \$20,999 respectively.

Water and Sewer System Refunding Revenue Note, Series 2010

The \$16,179,219.51 Water and Sewer System Refunding Revenue Note, Series 2010 was restructured subsequent to year-end. The new note is dated October 15, 2013, bearing an interest rate of 3.41%, and maturing October 15, 2028. The note is secured by a pledge on the City's net revenues of the water/sewer system and the water/sewer capital facilities fees. Semiannual principal and interest payments on the note were 10 percent of pledged revenues. The total principal and interest remaining to be paid on the note is \$21,456,775. Principal and interest paid for the current year and total pledged revenues were \$851,812 and \$4,226,087 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 beginning 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 beginning 4/15/2013. At 9/30/12 construction was not completed.

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

NOTE 6- INTERFUND RECEIVABLES, PAYABLE and TRANSFERS

The interfund balances at September 30, 2013, were as follows:

	Due from Other funds	Due to Other funds
General fund	\$17,493,668	\$14,605,487
Water, sewer and wastewater	<u>31,172,553</u>	<u>34,060,734</u>
Total	<u>\$48,666,221</u>	<u>\$48,666,221</u>

The interfunds loans were for operating advances.

NOTE 7- EMPLOYEE BENEFITS

Retirement Plan

Plan Description

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

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

Funding Policy

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

	9/30/2012 through 6/30/2013	7/01/2013 through 9/30/2013
Regular employees	5.18%	6.95%
Special risk employees	14.9 %	19.06%
DROP plan participants	5.44%	12.84%

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

NOTE 7- EMPLOYEE BENEFITS (continued)

Contribution rates equal actuarial determined rates. During the years ended September 30, 2013, 2012 and 2011 total payroll for covered employees was \$2,138,387, \$2,085,692 and \$2,071,492. The City's contributions for FRS amounted to \$155,813, \$130,983 and \$227,186 for the years ended September 30, 2013, 2012 and 2011 respectively. Contributions represented 7.3% of the total payroll which equaled the required contributions for the year.

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

NOTE 8- GRANTS

The City participates in several state and federal grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for, or including, the year ended September 30, 2013, 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., a company that bought Emerald Waste Services, Inc., 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 seven years ending October 1, 2014.

NOTE 11- OTHER POST EMPLOYMENT BENEFITS (OPEB)

Effective for the year ended September 30, 2013, 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)	\$	64,849
Amortization of unfunded actuarial accrued liability		<u>37,482</u>
Annual required contribution		102,331
Interest on net OPEB obligation		5,702
Adjustment to annual required contribution		<u>(6,879)</u>
Annual OPEB cost (expense)		101,154
Contribution toward the OPEB cost		<u>43,477</u>
Increase in net OPEB obligation		57,677
Net OPEB obligation, beginning of year		<u>421,951</u>
Net OPEB obligation, end of year	\$	<u><u>479,628</u></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, 2013 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>
2011	\$ 142,054	0%	\$ 279,897
2012	142,054	0%	421,951
2013	101,154	0%	479,628

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, 2013. 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, 2013 is 26 years.

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%

**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
2011	\$ 0	\$ 142,054	0%
2012	\$ 0	\$ 142,054	0%
2013	\$ 0	\$ 101,154	0%

COMPLIANCE SECTION

**CITY OF PORT ST. JOE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2013**

Federal Awards Program	CFDA #	Contract/Grant Number	Expenditures
U.S. Department Of Agriculture			
Community Facilities Loans and Grants			
City Sidewalks	10.769	09-023-590953785	28,118
Rish Memorial Parking Lot	10.769	n/a	<u>16,938</u>
			<u>45,056</u>
U.S. Department of Housing and Urban Development			
Passed through Fl. Dept of Economic Opportunity			
Small Cities Community Development Block Grant	14.228	10DB-4N02-33-02-E08	<u>125,182</u>
			<u>125,182</u>
U.S. Department Of Justice			
Passed through Fl. Dept of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-JAGD-Gulf-1-D8-049	1,000
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-JAGC-Gulf-2-D7-012	<u>13,650</u>
			<u>14,650</u>
U.S. Environmental Protection Agency			
Passed through Fl. Dept of Environmental Protection			
Water Distribution	66.468	DW 23011	975,758
Headworks and Spray Field	66.458	WW 230100	<u>240,384</u>
			<u>1,216,142</u>
Total Federal			<u>\$ 1,401,030</u>

**CITY OF PORT ST. JOE, FLORIDA
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 YEAR ENDED SEPTEMBER 30, 2013**

<u>State Financial Assistance Projects</u>	<u>CFDA #</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>
Florida Department of Transportation			
Roadside Beautification Assistance Phase IV	55.023	416533-8-58-39	<u>35,389</u> <u>35,389</u>
Florida Department of Economic Opportunity			
Technical Assistance Grant	40.024	PO028	<u>10,000</u> <u>10,000</u>
Northwest Florida Water Management District			
Water Distribution System	37.022	13-014	<u>105,940</u> <u>105,940</u>
Total State			<u>\$ 151,329</u>

**CITY OF PORT ST. JOE, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2013**

Note 1 – Basis of Accounting

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

Note 2 – Reporting Entity

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

Note 3 – Pass-Through Awards

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

Note 4 – Loans Outstanding

The City had the following loan balances outstanding at September 30, 2013:

	CFDA #	Expenditures incurred during 9/30/2013	Outstanding Loan Amount
U.S. Environmental Protection Agency	66.458	\$ 144,805	\$ 2,244,055
U.S. Environmental Protection Agency	66.468	<u>646,440</u>	<u>1,135,736</u>
		<u>\$ 791,245</u>	<u>\$ 3,379,791</u>

Note 5 – Contingency

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

**CITY OF PORT ST. JOE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013**

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unqualified	
Internal control over financial reporting		
Material weakness(es) identified?	___yes	_X_ no
Significant deficiency(ies) identified not considered to be material weaknesses?	___yes	_X_ none reported
Noncompliance material to financial statements noted:	___yes	_X_ no

Federal Awards and State Financial Assistance

Internal control over major programs material weakness(es) identified?	___yes	_X_ no
Significant deficiency (ies) identified not considered to be material weaknesses?	___yes	_X_ none Reported
Type of auditor’s report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) or Section 10.557, Rules of the Auditor General?	___yes	_X_ no

Identification of major federal awards/state financial assistance projects:

<u>CFDA/CSFA Number</u> 66.468	<u>Name of Federal Award/State Financial Assistance Project</u> Capitalization Grants for Drinking Water
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(continued)

CITY OF PORT ST. JOE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED SEPTEMBER 30, 2013

Dollar threshold used to distinguish
between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? X yes no

Section II – Financial Statement Findings

No findings in current year.

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

No findings or questioned costs in the current year.

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

No findings or questioned costs in the current year.

Section V – Other Issues

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

Vance CPA LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited financial statements of the City of Port St. Joe, Florida (the City), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated April 30, 2014.

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 OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 31, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that City of Port St. Joe, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., 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)4., Rules of the Auditor General, requires that we address violations of provisions of contracts, 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., 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 the management letter, unless disclosed in the notes to the financial statements. The City was established in 1913 under a Charter in accordance with the Laws of Florida 47-24374. There is one component unit of the reporting entity as defined in publications cited in Rule 10.553. The City Commission of the City of Port St. Joe is the “ex-officio” governing body of the Port St. Joe Community Redevelopment Agency. The Agency was created on November 6, 1990 by City Resolution 198 pursuant to Florida Statute 163.356.

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Port St. Joe, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Port St. Joe, Florida for the fiscal year ended September 30, 2013, 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 31, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(i)6.c., and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management’s responsibility to monitor the City’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 Representative, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Vance CPA LLC

Vance CPA LLC
April 30, 2014

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, 2013, 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 April 30, 2014.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
April 30, 2014

Vance CPA LLC

Certified Public Accountant

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

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Port St. Joe, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Port St. Joe, Florida's major federal programs for the year ended September 30, 2013. The City of Port St. Joe, Florida's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Port St. Joe, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Vance CPA LLC

Vance CPA LLC
April 30, 2014