

# **City of Port St. Joe, Florida**

**Annual Financial Statements  
September 30, 2015**

**Vance CPA LLC**  
**Certified Public Accountants**  
219-B Avenue E • Apalachicola, FL 32320  
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**CITY OF PORT ST. JOE, FLORIDA**  
**SEPTEMBER 30, 2015**

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**CITY OF PORT ST. JOE, FLORIDA**  
**SEPTEMBER 30, 2015**

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# Vance CPA LLC

***Certified Public Accountant***

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016, on our consideration of the City of Port St. Joe, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Port St. Joe, Florida's internal control over financial reporting and compliance.

*Vance CPA LLC*

**Vance CPA LLC**

June 27, 2016

## **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, 2015 by \$62,483,796 (net position). Of this amount, \$3,135,340 (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 \$956,047.
- As of September 30, 2015, the City of Port St. Joe's general fund reported an ending fund balance of \$6,093,686, an increase of \$85,179 from prior year. \$5,934,785 of this amount is available for spending at the City's discretion (unassigned fund balance).
- Long-term debt of City decreased \$588,875 from the prior year, while the liability for compensated absences increased \$56,763.

### **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 \$62,483,796.

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

| <b>Net Position</b>              |                                |                     |                                 |                      |                      |                     |
|----------------------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|---------------------|
| <b>September 30,</b>             | <b>Governmental Activities</b> |                     | <b>Business-type Activities</b> |                      | <b>Total</b>         |                     |
|                                  | <b>2015</b>                    | <b>2014</b>         | <b>2015</b>                     | <b>2014</b>          | <b>2015</b>          | <b>2014</b>         |
| Current/other assets             | \$ 6,294,491                   | \$ 6,525,223        | \$ 85,227                       | \$ (742,067)         | \$ 6,379,718         | \$ 5,783,156        |
| Capital assets                   | <u>11,353,699</u>              | <u>11,369,897</u>   | <u>65,982,808</u>               | <u>68,268,091</u>    | <u>77,336,507</u>    | <u>79,637,988</u>   |
| Total assets                     | <u>17,648,190</u>              | <u>17,895,120</u>   | <u>66,068,035</u>               | <u>67,526,024</u>    | <u>83,716,225</u>    | <u>85,421,144</u>   |
| Deferred Outflows                | <u>203,666</u>                 | <u>—</u>            | <u>85,559</u>                   | <u>—</u>             | <u>289,225</u>       | <u>—</u>            |
| Current liabilities              | 94,954                         | 434,833             | 443,275                         | 473,158              | 538,229              | 907,991             |
| Noncurrent liabilities           | <u>1,622,358</u>               | <u>412,428</u>      | <u>19,061,220</u>               | <u>18,973,809</u>    | <u>20,683,578</u>    | <u>19,386,237</u>   |
| Total liabilities                | <u>1,717,312</u>               | <u>847,261</u>      | <u>19,504,495</u>               | <u>19,446,967</u>    | <u>21,221,807</u>    | <u>20,294,228</u>   |
| Deferred Infows                  | <u>211,145</u>                 | <u>—</u>            | <u>88,702</u>                   | <u>—</u>             | <u>299,847</u>       | <u>—</u>            |
| Net investment in capital assets | 11,149,116                     | 11,106,736          | 48,038,920                      | 49,793,906           | 59,188,036           | 60,900,642          |
| Net Position - restricted        | 160,420                        | 143,075             | —                               | —                    | 160,420              | 143,075             |
| Net Position - Unrestricted      | <u>4,613,863</u>               | <u>5,798,048</u>    | <u>(1,478,523)</u>              | <u>(1,714,849)</u>   | <u>3,135,340</u>     | <u>4,083,199</u>    |
| Total net position               | <u>\$15,923,399</u>            | <u>\$17,047,859</u> | <u>\$46,560,397</u>             | <u>\$ 48,079,057</u> | <u>\$ 62,483,796</u> | <u>\$65,126,916</u> |

Ninety-five percent (95%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, vehicles, equipment, wastewater treatment plant and improvements, water and sewer distribution system, and freshwater canal). The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Debt associated with the City's capital assets amount to \$18,148,471.

The balance of unrestricted net position \$3,135,340 may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2015, 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, 2015 and 2014.

**Changes in Net Position**

| <b>Year Ended September 30,</b>    | <b>Governmental Activities</b> |                            | <b>Business-type Activities</b> |                              | <b>Total</b>               |                              |
|------------------------------------|--------------------------------|----------------------------|---------------------------------|------------------------------|----------------------------|------------------------------|
|                                    | <b>2015</b>                    | <b>2014</b>                | <b>2015</b>                     | <b>2014</b>                  | <b>2015</b>                | <b>2014</b>                  |
| <b>Program Revenues -</b>          |                                |                            |                                 |                              |                            |                              |
| Charges for services               | \$ 192,099                     | \$ 176,196                 | \$ 6,211,850                    | \$ 5,548,796                 | \$ 6,403,949               | \$ 5,724,992                 |
| Operating grants and contributions | 137,062                        | 40,923                     | —                               | —                            | 137,062                    | 40,923                       |
| Capital grants and contributions   | 331,982                        | 943,496                    | 473,190                         | 622,825                      | 805,172                    | 1,566,321                    |
| <b>General Revenues -</b>          |                                |                            |                                 |                              |                            |                              |
| Ad valorem taxes                   | 969,240                        | 1,106,000                  | —                               | —                            | 969,240                    | 1,106,000                    |
| Utility taxes/franchise fees       | 676,692                        | 643,750                    | —                               | —                            | 676,692                    | 643,750                      |
| Sales tax and other                | 429,963                        | 216,229                    | —                               | —                            | 429,963                    | 216,229                      |
| Interest                           | 3,359                          | 5,632                      | —                               | 672                          | 3,359                      | 6,304                        |
| Other                              | 218,307                        | (464,790)                  | —                               | (389,024)                    | 218,307                    | (853,814)                    |
| Transfers                          | —                              | —                          | —                               | —                            | —                          | —                            |
| <b>Total revenues</b>              | <b><u>2,958,704</u></b>        | <b><u>2,667,436</u></b>    | <b><u>6,685,040</u></b>         | <b><u>5,783,269</u></b>      | <b><u>9,643,744</u></b>    | <b><u>8,450,705</u></b>      |
| <b>Expenses</b>                    |                                |                            |                                 |                              |                            |                              |
| City commission                    | 70,276                         | 66,795                     | —                               | —                            | 70,276                     | 66,795                       |
| Administration                     | 347,948                        | 399,504                    | —                               | —                            | 347,948                    | 399,504                      |
| Police                             | 753,001                        | 701,011                    | —                               | —                            | 753,001                    | 701,011                      |
| Fire                               | 129,417                        | 110,812                    | —                               | —                            | 129,417                    | 110,812                      |
| Highways and streets               | 763,899                        | 690,270                    | —                               | —                            | 763,899                    | 690,270                      |
| Economic environment               | 173,694                        | 151,367                    | —                               | —                            | 173,694                    | 151,367                      |
| Parks and cemeteries               | 380,462                        | 472,123                    | —                               | —                            | 380,462                    | 472,123                      |
| Human services                     | 36,740                         | 37,496                     | —                               | —                            | 36,740                     | 37,496                       |
| Maintenance shop                   | 90,716                         | 89,562                     | —                               | —                            | 90,716                     | 89,562                       |
| Nondepartmental                    | 149,014                        | 179,092                    | —                               | —                            | 149,014                    | 179,092                      |
| Water                              | —                              | —                          | 2,884,428                       | 2,808,973                    | 2,884,428                  | 2,808,973                    |
| Sewer                              | —                              | —                          | 4,026,795                       | 3,736,016                    | 4,026,795                  | 3,736,016                    |
| Sanitation                         | —                              | —                          | 793,401                         | 879,062                      | 793,401                    | 879,062                      |
| <b>Total expenditures</b>          | <b><u>2,895,167</u></b>        | <b><u>2,898,032</u></b>    | <b><u>7,704,624</u></b>         | <b><u>7,424,051</u></b>      | <b><u>10,599,791</u></b>   | <b><u>10,322,083</u></b>     |
| <b>Change in Net Assets</b>        | <b><u>\$ 63,537</u></b>        | <b><u>\$ (230,596)</u></b> | <b><u>\$ (1,019,584)</u></b>    | <b><u>\$ (1,640,782)</u></b> | <b><u>\$ (956,047)</u></b> | <b><u>\$ (1,871,378)</u></b> |

Governmental activities increased the City's net position by \$63,537. Business-type activities decreased the City's net position by \$1,019,584.

**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, 2015, the general fund reported a fund balance of \$6,093,686, of which \$5,934,785 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 221 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$85,179 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, 2015 amounted to a negative \$1,478,523.

### **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, 2015 amounts to \$77,336,507 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, wastewater treatment plant and improvements, water and sewer distribution system, and construction in progress.

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

- Water Distribution Phase II - NPSJ
- Water Distribution Phase II - SRF
- Water Plant Chipola Pump NWFMD

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

### **Long-Term Debt**

The City has long-term debt outstanding at September 30, 2015 in the amount of \$18,148,471.

### **Next Year's Budgets and Rates**

Utility rates were increased for fiscal year 2015, 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, 2015**

|   | <b>Primary Government</b> |                      |                     |
|---|---------------------------|----------------------|---------------------|
|   | <b>Governmental</b>       | <b>Business-type</b> | <b>Total</b>        |
|   | <b>Activities</b>         | <b>Activities</b>    |                     |
| <b>ASSETS</b>                                   |                           |                      |                     |
| Current assets                                  |                           |                      |                     |
| Cash and cash equivalents                       | \$ 3,709,439              | \$ 1,796,627         | \$ 5,506,066        |
| Accounts receivable, net                        | 61,206                    | 670,138              | 731,344             |
| Prepaid expenses                                | 92,057                    | —                    | 92,057              |
| Internal balances                               | 2,381,538                 | (2,381,538)          | —                   |
| Due from other governments                      | 50,251                    | —                    | 50,251              |
| <b>Total Current Assets</b>                     | <b>6,294,491</b>          | <b>85,227</b>        | <b>6,379,718</b>    |
| Noncurrent assets                               |                           |                      |                     |
| Capital assets, net of accumulated depreciation |                           |                      |                     |
| Nondepreciable                                  | 5,854,090                 | 1,396,638            | 7,250,728           |
| Depreciable, net                                | 5,499,609                 | 64,586,170           | 70,085,779          |
| <b>Total Noncurrent Assets</b>                  | <b>11,353,699</b>         | <b>65,982,808</b>    | <b>77,336,507</b>   |
| <b>Total Assets</b>                             | <b>17,648,190</b>         | <b>66,068,035</b>    | <b>83,716,225</b>   |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>            |                           |                      |                     |
| Employee pension contributions                  | 203,666                   | 85,559               | 289,225             |
| <b>Total Deferred Outflow of Resources</b>      | <b>203,666</b>            | <b>85,559</b>        | <b>289,225</b>      |
| <b>LIABILITIES</b>                              |                           |                      |                     |
| Current liabilities                             |                           |                      |                     |
| Accounts payable                                | 48,212                    | 105,367              | 153,579             |
| Accrued expenses                                | 2,425                     | —                    | 2,425               |
| Accrued wages                                   | 44,317                    | 79,830               | 124,147             |
| Accrued interest                                | —                         | 258,078              | 258,078             |
| <b>Total Current Liabilities</b>                | <b>94,954</b>             | <b>443,275</b>       | <b>538,229</b>      |
| Noncurrent liabilities                          |                           |                      |                     |
| Customer deposits                               | —                         | 295,113              | 295,113             |
| Due within one year                             |                           |                      |                     |
| Accrued compensated absences                    | 20,341                    | 26,186               | 46,527              |
| Loans and revenue bonds payable                 | 10,900                    | 630,922              | 641,822             |
| Due in more than one year                       |                           |                      |                     |
| Accrued compensated absences                    | 61,024                    | 78,558               | 139,582             |
| Loans and revenue bonds payable                 | 193,683                   | 17,312,966           | 17,506,649          |
| Other postemployment benefits                   | 105,170                   | 200,233              | 305,403             |
| Net pension liability                           | 1,231,240                 | 517,242              | 1,748,482           |
| <b>Total Noncurrent Liabilities</b>             | <b>1,622,358</b>          | <b>19,061,220</b>    | <b>20,683,578</b>   |
| <b>Total Liabilities</b>                        | <b>1,717,312</b>          | <b>19,504,495</b>    | <b>21,221,807</b>   |
| <b>DEFERRED INFLOW OF RESOURCES</b>             |                           |                      |                     |
| Pension earnings                                | 211,145                   | 88,702               | 299,847             |
| <b>Total Deferred Inflow of Resources</b>       | <b>211,145</b>            | <b>88,702</b>        | <b>299,847</b>      |
| <b>NET POSITION</b>                             |                           |                      |                     |
| Net investment in capital assets                | 11,149,116                | 48,038,920           | 59,188,036          |
| Restricted for: Development                     | 159,871                   | —                    | 159,871             |
| Public safety                                   | 549                       | —                    | 549                 |
| Unrestricted                                    | 4,613,863                 | (1,478,523)          | 3,135,340           |
| <b>Total Net position</b>                       | <b>\$15,923,399</b>       | <b>\$46,560,397</b>  | <b>\$62,483,796</b> |

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015**

|                                       |                      | <b>Net (Expense) Revenue and<br/>Changes in Net Position</b> |   |   |                                    |   |                      |
|---------------------------------------|----------------------|--|---|---|------------------------------------|---|----------------------|
|                                       |                      | <b>Program Revenues</b>                                      |   |   | <b>Primary Government</b>          |   |                      |
| <b>Functions/Programs</b>             | <b>Expenses</b>      | <b>Charges<br/>for<br/>Services</b>                          | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> | <b>Governmental<br/>Activities</b> | <b>Business<br/>Type<br/>Activities</b> | <b>Total</b>         |
| <b>Primary government</b>             |                      |  |   |   |                                    |   |                      |
| Governmental activities               |                      |  |   |   |                                    |   |                      |
| City Commission                       | \$ 70,276            | \$ —   | \$ —  | \$ —  | \$ (70,276)                        | \$ —                                    | \$ (70,276)          |
| Administration                        | 347,948              | 27,662   | —   | —   | (320,286)                          | —                                       | (320,286)            |
| Police                                | 753,001              | —  | 14,204  | —   | (738,797)                          | —                                       | (738,797)            |
| Fire                                  | 129,417              | —  | —   | —   | (129,417)                          | —                                       | (129,417)            |
| Streets and highways                  | 763,899              | 25,053   | 23,976  | —   | (714,870)                          | —                                       | (714,870)            |
| Economic environment                  | 173,694              | —  | —   | —   | (173,694)                          | —                                       | (173,694)            |
| Parks and cemeteries.                 | 380,462              | 139,384  | 98,882  | 331,982   | 189,786                            | —                                       | 189,786              |
| Human services                        | 36,740               | —  | —   | —   | (36,740)                           | —                                       | (36,740)             |
| Maintenance shop                      | 90,716               | —  | —   | —   | (90,716)                           | —                                       | (90,716)             |
| Nondepartmental                       | 149,014              | —  | —   | —   | (149,014)                          | —                                       | (149,014)            |
| <b>Total governmental activities</b>  | <b>2,895,167</b>     | <b>192,099</b>   | <b>137,062</b>                                    | <b>331,982</b>                                  | <b>(2,234,024)</b>                 | <b>—</b>                                | <b>(2,234,024)</b>   |
| <b>Business-Type Activities</b>       |                      |  |   |   |                                    |   |                      |
| Water utility                         | 2,884,428            | 2,441,141  | —   | 473,190   | —                                  | 29,903                                  | 29,903               |
| Wastewater utility                    | 4,026,795            | 2,974,069  | —   | —   | —                                  | (1,052,726)                             | (1,052,726)          |
| Solid waste utility                   | 793,401              | 796,640  | —   | —   | —                                  | 3,239                                   | 3,239                |
| <b>Total business-type activities</b> | <b>7,704,624</b>     | <b>6,211,850</b>   | <b>—</b>  | <b>473,190</b>                                  | <b>—</b>                           | <b>(1,019,584)</b>                      | <b>(1,019,584)</b>   |
| <b>Total Primary Government</b>       | <b>\$ 10,599,791</b> | <b>\$ 6,403,949</b>  | <b>\$ 137,062</b>                                 | <b>\$ 805,172</b>                               | <b>(2,234,024)</b>                 | <b>(1,019,584)</b>                      | <b>(3,253,608)</b>   |
| <b>General Revenues:</b>              |                      |  |   |   |                                    |   |                      |
| Taxes:                                |                      |  |   |   |                                    |   |                      |
| Property tax                          |                      |  |   |   | 969,240                            | —                                       | 969,240              |
| Franchise and utility taxes           |                      |  |   |   | 676,692                            | —                                       | 676,692              |
| Sales tax and other shared revenues   |                      |  |   |   | 429,963                            | —                                       | 429,963              |
| Investment earnings                   |                      |  |   |   | 3,359                              | —                                       | 3,359                |
| Gain on disposition of fixed assets   |                      |  |   |   | 5,379                              | —                                       | 5,379                |
| Miscellaneous                         |                      |  |   |   | 212,928                            | —                                       | 212,928              |
| <b>Total General Revenues</b>         |                      |  |   |   | <b>2,297,561</b>                   | <b>—</b>                                | <b>2,297,561</b>     |
| Changes in Net Position               |                      |  |   |   | 63,537                             | (1,019,584)                             | (956,047)            |
| Prior period adjustment (note 12)     |                      |  |   |   | (1,187,997)                        | (499,076)                               | (1,687,073)          |
| Net Position – Beginning of Year      |                      |  |   |   | 17,047,859                         | 48,079,057                              | 65,126,916           |
| <b>Net Position – End of Year</b>     |                      |  |   |   | <b>\$ 15,923,399</b>               | <b>\$ 46,560,397</b>                    | <b>\$ 62,483,796</b> |

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

|  | <b>General<br/>Fund</b> | <b>Downtown<br/>Redevelopment</b> | <b>Total</b>      |
|--|-------------------------|-----------------------------------|-------------------|
| <b>Assets</b>  |                         |                                   |                   |
| Cash and cash equivalents                                      | \$ 3,609,315            | \$ 100,124                        | \$ 3,709,439      |
| Accounts receivable, net                                       | 61,204                  | —                                 | 61,204            |
| Prepaid expenses   | 92,057                  | —                                 | 92,057            |
| Due from other funds   | 17,309,350              | —                                 | 17,309,350        |
| Due from other governments                                     | 50,251                  | —                                 | 50,251            |
| <b>Total Assets</b>  | <b>21,122,177</b>       | <b>100,124</b>                    | <b>21,222,301</b> |
| <b>Liabilities Deferred Inflows and Fund Balance</b>           |                         |                                   |                   |
| Accounts payable   | 41,664                  | 6,548                             | 48,212            |
| Accrued expenses   | 44,317                  | —                                 | 44,317            |
| Deposits held  | 2,425                   | —                                 | 2,425             |
| Due to other funds   | 14,927,810              | —                                 | 14,927,810        |
| <b>Total Liabilities</b>                                       | <b>15,016,216</b>       | <b>6,548</b>                      | <b>15,022,764</b> |
| <b>Deferred Inflows</b>  |                         |                                   |                   |
| Business license   | 12,275                  | —                                 | 12,275            |
| <b>Total Deferred Inflows</b>                                  | <b>12,275</b>           | <b>—</b>                          | <b>12,275</b>     |
| <b>Fund balance</b>  |                         |                                   |                   |
| Nonspendable   | 92,057                  | —                                 | 92,057            |
| Restricted for:  |                         |                                   |                   |
| Development  | 66,295                  | 93,576                            | 159,871           |
| Public Safety  | 549                     | —                                 | 549               |
| Unassigned   | 5,934,785               | —                                 | 5,934,785         |
| <b>Total Fund Balance</b>                                      | <b>6,093,686</b>        | <b>93,576</b>                     | <b>6,187,262</b>  |
| <b>Total liabilities Deferred Inflows<br/>and Fund Balance</b> | <b>21,122,177</b>       | <b>100,124</b>                    |                   |

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.  | 11,353,699       |
| Other assets are not available to pay current period expenditures and are deferred in the funds.   | 12,275           |
| Pension liabilities are not due and payable in the current period and therefore, are not reported as liabilities in government funds, nor are related deferred outflows and inflows. | (1,238,719)      |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.   | <u>(391,118)</u> |

**Net position of governmental activities** **\$15,923,399**

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, 2015**

|                                   | Other                      |                           |                            |
|-----------------------------------|----------------------------|---------------------------|----------------------------|
|                                   | General<br>Fund            | Downtown<br>Redevelopment | Total                      |
| <b>Revenues</b>                   |                            |                           |                            |
| Taxes                             | \$ 1,645,932               | \$ 229,870                | \$ 1,875,802               |
| Licenses and permits              | 7,696                      | —                         | 7,696                      |
| Intergovernmental                 | 851,942                    | 49,482                    | 901,424                    |
| Charges for services              | 73,136                     | —                         | 73,136                     |
| Fines and forfeitures             | 5,124                      | —                         | 5,124                      |
| Investment earnings and other     | 174,895                    | 147                       | 175,042                    |
| <b>Total revenues</b>             | <b><u>2,758,725</u></b>    | <b><u>279,499</u></b>     | <b><u>3,038,224</u></b>    |
| <b>Expenditures</b>               |                            |                           |                            |
| Current                           |                            |                           |                            |
| City commission                   | 69,707                     | —                         | 69,707                     |
| Administration                    | 320,601                    | —                         | 320,601                    |
| Police                            | 652,312                    | —                         | 652,312                    |
| Fire                              | 87,122                     | —                         | 87,122                     |
| Streets and highways              | 623,594                    | —                         | 623,594                    |
| Economic environment              | —                          | 150,680                   | 150,680                    |
| Parks and cemeteries              | 188,087                    | —                         | 188,087                    |
| Human services                    | 36,740                     | —                         | 36,740                     |
| Maintenance shop                  | 80,536                     | —                         | 80,536                     |
| Nondepartmental                   | 149,014                    | —                         | 149,014                    |
| Capital outlay                    | 445,983                    | 49,482                    | 495,465                    |
| Debt service                      | 19,850                     | 61,742                    | 81,592                     |
| <b>Total expenditures</b>         | <b><u>2,673,546</u></b>    | <b><u>261,904</u></b>     | <b><u>2,935,450</u></b>    |
| <b>Net change in fund balance</b> | 85,179                     | 17,595                    | 102,774                    |
| <b>Fund balance – beginning</b>   | <u>6,008,507</u>           | <u>75,981</u>             | <u>6,084,488</u>           |
| <b>Fund balance - ending</b>      | <b><u>\$ 6,093,686</u></b> | <b><u>\$ 93,576</u></b>   | <b><u>\$ 6,187,262</u></b> |

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, 2015**

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

|   |                         |
|---|-------------------------|
| Net change in fund balances – total governmental funds.   | \$ 102,774              |
| Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.   | 1,300,260               |
| Depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.  | (425,771)               |
| 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.             | 58,578                  |
| Cost of disposed capital assets are not included in the governmental funds but are included in the statement of activities.   | (890,687)               |
| Certain revenues not considered available are not recognized in the governmental funds but are included in the statement of activities.                                   | 6,373                   |
| Pension contributions are reported as expenditures in the funds while pension expense is reported in the government-wide statements.                                      | (50,722)                |
| Other benefits reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. | <u>(37,268)</u>         |
| <b>Change in net position of governmental activities</b>  | <b><u>\$ 63,537</u></b> |

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, 2015**

|  | <u>Budget Amounts</u>      |                            | <u>Actual</u><br><u>Amounts</u> | <b>Variance with Final</b>                  |
|--|----------------------------|----------------------------|---------------------------------|---|
|  | <u>Original</u>            | <u>Final</u>               |                                 | <b>Budget Positive</b><br><b>(Negative)</b> |
| <b>Revenues:</b>                       |                            |                            |                                 |   |
| Taxes                                  | \$ 1,640,144               | \$ 1,640,144               | \$ 1,645,932                    | \$ (5,788)                                  |
| Licenses and permits                   | 20,897                     | 20,897                     | 7,696                           | 13,201                                      |
| Intergovernmental                      | 1,531,672                  | 1,531,672                  | 851,942                         | 679,730                                     |
| Fines and forfeitures                  | 74,115                     | 74,115                     | 73,136                          | 979   |
| Charges for services                   | 6,978                      | 6,978                      | 5,124                           | 1,854                                       |
| Investment earnings and other          | <u>209,141</u>             | <u>209,141</u>             | <u>174,895</u>                  | <u>34,246</u>                               |
| <b>Total revenues</b>                  | <u>3,482,947</u>           | <u>3,482,947</u>           | <u>2,758,725</u>                | <u>724,222</u>                              |
| <b>Expenditures:</b>                   |                            |                            |                                 |   |
| Current                                |                            |                            |                                 |   |
| City commission                        | 70,163                     | 70,163                     | 69,707                          | 456   |
| Administration                         | 1,629,528                  | 1,629,528                  | 320,601                         | 1,308,927                                   |
| Police                                 | 661,598                    | 661,598                    | 652,312                         | 9,286                                       |
| Fire                                   | 91,948                     | 91,948                     | 87,122                          | 4,826                                       |
| Streets and highways                   | 654,758                    | 654,758                    | 623,594                         | 31,164                                      |
| Parks and cemeteries                   | 188,582                    | 188,582                    | 188,087                         | 495   |
| Human services                         | 36,927                     | 36,927                     | 36,740                          | 187   |
| Maintenance shop                       | 82,650                     | 82,650                     | 80,536                          | 2,114                                       |
| Nondepartmental                        | 150,883                    | 150,883                    | 149,014                         | 1,869                                       |
| Debt service                           | 1,168,700                  | 1,168,700                  | 445,983                         | 722,717                                     |
| Capital outlay                         | <u>20,000</u>              | <u>20,000</u>              | <u>19,850</u>                   | <u>150</u>                                  |
| <b>Total expenditures</b>              | <u>4,755,737</u>           | <u>4,755,737</u>           | <u>2,673,546</u>                | <u>2,082,191</u>                            |
| <b>Excess (deficiency) of revenues</b> |                            |                            |                                 |   |
| <b>over (under) expenditures</b>       | <u>(1,272,790)</u>         | <u>(1,272,790)</u>         | <u>85,179</u>                   | <u>(1,357,969)</u>                          |
| <b>Other financing sources (uses)</b>  |                            |                            |                                 |   |
| Transfers in (out)                     | —                          | —                          | —                               | —   |
| Cash carry forward                     | <u>1,294,789</u>           | <u>1,294,789</u>           | <u>—</u>                        | <u>1,294,789</u>                            |
| Total other financing                  |                            |                            |                                 |   |
| Sources (uses)                         | <u>1,294,789</u>           | <u>1,294,789</u>           | <u>—</u>                        | <u>1,294,789</u>                            |
| <b>Net change in fund balance</b>      | 21,999                     | 21,999                     | 85,179                          | (63,180)                                    |
| <b>Fund balance - beginning</b>        | <u>6,008,507</u>           | <u>6,008,507</u>           | <u>6,008,507</u>                | <u>—</u>                                    |
| <b>Fund balance - ending</b>           | <u><b>\$ 6,030,506</b></u> | <u><b>\$ 6,030,506</b></u> | <u><b>\$ 6,093,686</b></u>      | <u><b>\$ 63,180</b></u>                     |

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2015**

**Business-type Activities/Enterprise Funds**

|                                      | <b>Water,<br/>Sewer and<br/>Wastewater</b> | <b>Solid<br/>Waste</b> | <b>Total</b>             |
|--------------------------------------|--|------------------------|--------------------------|
| <b>Assets</b>                        |  |                        |                          |
| Current assets                       |  |                        |                          |
| Cash and cash equivalents            | \$ 1,796,627                               | \$ —                   | \$ 1,796,627             |
| Accounts receivable (net)            | 585,637                                    | 84,501                 | 670,138                  |
| Due from other funds                 | <u>30,567,479</u>                          | <u>585,956</u>         | <u>31,153,435</u>        |
| <b>Total current assets</b>          | <b><u>32,949,743</u></b>                   | <b><u>670,457</u></b>  | <b><u>33,620,200</u></b> |
| Property, plant and equipment        |  |                        |                          |
| Land and land improvements           | 1,396,638                                  | —                      | 1,396,638                |
| Plant and equipment                  | 95,572,689                                 | 100,557                | 95,673,246               |
| Accumulated depreciation             | <u>(30,994,709)</u>                        | <u>(92,367)</u>        | <u>(31,087,076)</u>      |
| Net property, plant and equipment    | <u>65,974,618</u>                          | <u>8,190</u>           | <u>65,982,808</u>        |
| <b>Total assets</b>                  | <b><u>98,924,361</u></b>                   | <b><u>678,647</u></b>  | <b><u>99,603,008</u></b> |
| <b>Deferred Outflow of Resources</b> |  |                        |                          |
| Employee Pension Contributions       | <u>64,989</u>                              | <u>20,570</u>          | <u>85,559</u>            |
| <b>Total deferred outflows</b>       | <b><u>64,989</u></b>                       | <b><u>20,570</u></b>   | <b><u>85,559</u></b>     |

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2015**

| <b>Business-type Activities/Enterprise Funds</b> |  |                           |                            |
|--|--|---------------------------|----------------------------|
|  | <b>Water,<br/>Sewer and<br/>Wastewater</b> | <b>Solid<br/>Waste</b>    | <b>Total</b>               |
| <b>Liabilities</b>                               |  |                           |                            |
| Current liabilities                              |  |                           |                            |
| Accounts payable                                 | \$ 61,081                                  | \$ 44,286                 | \$ 105,367                 |
| Accrued wages                                    | 74,579                                     | 5,251                     | 79,830                     |
| Accrued interest                                 | 258,078                                    | —                         | 258,078                    |
| Due to other funds                               | <u>32,957,112</u>                          | <u>577,861</u>            | <u>33,534,973</u>          |
| <b>Total current liabilities</b>                 | <b><u>33,350,850</u></b>                   | <b><u>627,398</u></b>     | <b><u>33,978,248</u></b>   |
| Noncurrent liabilities                           |  |                           |                            |
| Customer Deposits                                | 295,113                                    | —                         | 295,113                    |
| Due within one year                              |  |                           |                            |
| Accrued compensated absences                     | 24,810                                     | 1,376                     | 26,186                     |
| Loans and revenue bonds payable                  | 630,922                                    | —                         | 630,922                    |
| Due in more than one year                        |  |                           |                            |
| Accrued compensated absences                     | 74,429                                     | 4,129                     | 78,558                     |
| Loans and revenue bonds payable                  | 17,312,966                                 | —                         | 17,312,966                 |
| Other postemployment benefits                    | 189,095                                    | 11,138                    | 200,233                    |
| Net pension liability                            | <u>392,885</u>                             | <u>124,357</u>            | <u>517,242</u>             |
| <b>Total noncurrent liabilities</b>              | <b><u>18,920,220</u></b>                   | <b><u>141,000</u></b>     | <b><u>19,061,220</u></b>   |
| <b>Total liabilities</b>                         | <b><u>52,271,070</u></b>                   | <b><u>768,398</u></b>     | <b><u>53,039,468</u></b>   |
| <b>Deferred Inflows of Resources</b>             |  |                           |                            |
| Employee Pension Contributions                   | <u>67,376</u>                              | <u>21,326</u>             | <u>88,702</u>              |
| <b>Total deferred Inflows</b>                    | <b><u>67,376</u></b>                       | <b><u>21,326</u></b>      | <b><u>88,702</u></b>       |
| <b>Net Position</b>                              |  |                           |                            |
| Net investment in capital assets                 | 48,030,730                                 | 8,190                     | 48,038,920                 |
| Unrestricted                                     | <u>(1,379,826)</u>                         | <u>(98,697)</u>           | <u>(1,478,523)</u>         |
| <b>Total net position</b>                        | <b><u>\$ 46,650,904</u></b>                | <b><u>\$ (90,507)</u></b> | <b><u>\$46,560,397</u></b> |

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, 2015**

| <b>Business-type Activities/Enterprise Funds</b> |   |                           |                            |
|--|---|---------------------------|----------------------------|
|  | <b>Water<br/>Sewer and<br/>Wastewater</b> | <b>Solid<br/>Waste</b>    | <b>Total</b>               |
| <b>Operating revenues</b>                        |   |                           |                            |
| Solid waste charges                              | \$ —                                      | \$ 771,704                | \$ 771,704                 |
| Wastewater charges                               | 2,424,595                                 | —                         | 2,424,595                  |
| Water and sewer charges                          | 2,426,376                                 | —                         | 2,426,376                  |
| Connection fees                                  | 29,852                                    | —                         | 29,852                     |
| Miscellaneous income                             | 533,625                                   | 24,936                    | 558,561                    |
| <b>Total operating revenue</b>                   | <b><u>5,414,448</u></b>                   | <b><u>796,640</u></b>     | <b><u>6,211,088</u></b>    |
| <b>Operating expenses</b>                        |   |                           |                            |
| Personal services                                | 1,738,199                                 | 149,707                   | 1,887,906                  |
| Utilities  | 275,144                                   | —                         | 275,144                    |
| Operating supplies                               | 521,264                                   | 9,479                     | 530,743                    |
| Repairs and maintenance                          | 218,344                                   | 7,614                     | 225,958                    |
| Contractual services                             | 87,568                                    | 540,872                   | 628,440                    |
| Other operating                                  | 532,215                                   | 84,091                    | 616,306                    |
| Depreciation                                     | 2,896,878                                 | 1,638                     | 2,898,516                  |
| <b>Total operating expenses</b>                  | <b><u>6,269,612</u></b>                   | <b><u>793,401</u></b>     | <b><u>7,063,013</u></b>    |
| <b>Operating income (loss)</b>                   | <b><u>(855,164)</u></b>                   | <b><u>3,239</u></b>       | <b><u>(851,925)</u></b>    |
| <b>Nonoperating revenues (expenses)</b>          |   |                           |                            |
| Gain (loss) on disposal of assets                | —   | —                         | —                          |
| Interest income                                  | 762                                       | —                         | 762                        |
| Revenue bond and loan interest expense           | (641,611)                                 | —                         | (641,611)                  |
| Grant revenue                                    | 473,190                                   | —                         | 473,190                    |
| <b>Total non operating revenues (expenses)</b>   | <b><u>(167,659)</u></b>                   | <b><u>—</u></b>           | <b><u>(167,659)</u></b>    |
| <b>Change in net position</b>                    | (1,022,823)                               | 3,239                     | (1,019,584)                |
| <b>Net position - beginning</b>                  | 48,052,814                                | 26,243                    | 48,079,057                 |
| Prior period adjustment (note 12)                | (379,087)                                 | (119,989)                 | (499,076)                  |
| <b>Net position - ending</b>                     | <b><u>\$46,650,904</u></b>                | <b><u>\$ (90,507)</u></b> | <b><u>\$46,560,397</u></b> |

See accompanying notes to the basic financial statements

**CITY OF PORT ST. JOE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2015**

**Business-type Activities/Enterprise Funds**

|   | <b>Water<br/>Sewer and<br/>Wastewater</b> | <b>Solid<br/>Waste</b> | <b>Total</b>               |
|---|---|------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                     |   |                        |                            |
| Receipts from customers   | \$ 5,345,369                              | \$ 784,820             | \$ 6,130,189               |
| Payments to suppliers   | (1,515,030)                               | (666,275)              | (2,181,305)                |
| Payments to employees   | (1,729,023)                               | (151,932)              | (1,880,955)                |
| Net cash provided (used) by operating activities                | <u><b>2,101,316</b></u>                   | <u><b>(33,387)</b></u> | <u><b>2,067,929</b></u>    |
| <b>Cash flows from noncapital financing activities</b>          |   |                        |                            |
| Capital contributions - grants                                  | 473,190                                   | —                      | 473,190                    |
| Payments (to) from other funds                                  | (482,586)                                 | 33,387                 | (449,199)                  |
| Net cash provided by noncapital financing activities            | <u><b>(9,396)</b></u>                     | <u><b>33,387</b></u>   | <u><b>23,991</b></u>       |
| <b>Cash flows from capital and related financing activities</b> |   |                        |                            |
| Acquisition of capital assets                                   | (613,234)                                 | —                      | (613,234)                  |
| Debt proceeds   | 36,088                                    | —                      | 36,088                     |
| Repayment of debt   | (566,385)                                 | —                      | (566,385)                  |
| Interest paid on long-term debt                                 | (631,760)                                 | —                      | (631,760)                  |
| Net cash used by capital and related financing activities       | <u><b>(1,775,291)</b></u>                 | <u><b>—</b></u>        | <u><b>(1,775,291)</b></u>  |
| <b>Cash flows from investing activities</b>                     |   |                        |                            |
| Interest earned   | 762                                       | —                      | 762                        |
| Net cash provided by investing activities                       | <u><b>762</b></u>                         | <u><b>—</b></u>        | <u><b>762</b></u>          |
| <b>Increase in cash and cash equivalents</b>                    | 317,391                                   | —                      | 317,391                    |
| <b>Cash and cash equivalents – beginning</b>                    | <u>1,479,236</u>                          | <u>—</u>               | <u>1,479,236</u>           |
| <b>Cash and cash equivalents – ending</b>                       | <u><b>\$ 1,796,627</b></u>                | <u><b>\$ —</b></u>     | <u><b>\$ 1,796,627</b></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, 2015

| Business-type Activities/Enterprise Funds   |                                   |                           |                            |
|---|-----------------------------------|---------------------------|----------------------------|
|   | Water,<br>Sewer and<br>Wastewater | Solid<br>Waste            | Total                      |
| <b>Reconciliation of operating income (loss)<br/>to net cash provided by (used in)<br/>operating activities</b> |                                   |                           |                            |
| Operating income (loss)   | \$ (855,164)                      | \$ 3,239                  | \$ (851,925)               |
| Adjustments to reconcile  |                                   |                           |                            |
| Depreciation  | 2,896,878                         | 1,638                     | 2,898,516                  |
| (Increase) decrease in assets   |                                   |                           |                            |
| Accounts receivable, net  | (69,079)                          | (11,820)                  | (80,899)                   |
| Prepaid expense   | 22,817                            | —                         | 22,817                     |
| Increase (decrease) in liabilities  |                                   |                           |                            |
| Accounts payable  | 22,213                            | (8,930)                   | 13,283                     |
| Accrued wages   | 9,176                             | (2,225)                   | 6,951                      |
| Compensated absences  | 18,992                            | (16,540)                  | 2,452                      |
| Customer deposits   | (40,883)                          | —                         | (40,883)                   |
| Other postemployment benefits   | 96,366                            | 1,251                     | 97,617                     |
| <b>Net cash provided by (used in) operating activities</b>  | <b><u>\$ 2,101,316</u></b>        | <b><u>\$ (33,387)</u></b> | <b><u>\$ 2,067,929</u></b> |

See accompanying notes to the basic financial statements

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

**Component Unit- Downtown Redevelopment Agency**

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Measurement Focus and Basic Accounting**

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

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

**Government-wide and Fund Financial Statements**

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

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

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

The City reports the following major governmental fund:

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The City reports the following major proprietary funds:

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

**Budgets and Budgetary Accounting**

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

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

**Accounts Receivable**

Accounts receivable are recorded at their net realizable value. The balances at September 30, 2015, were \$61,206 and \$670,138 for governmental activities and business-type activities, respectively. These balances are expected to be entirely collectible and therefore, no allowance for doubtful accounts has been recorded.

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

**Due From (To) Other Funds**

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

**Inventories**

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

**Prepaid Expenses**

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

**Notes Receivable**

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets**

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

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

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

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

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

**Long-term Obligations**

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

**Unamortized Bond Premiums**

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Inflows**

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

**Compensated Absences**

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

**Property Taxes**

Under Florida law, the assessment and the collection of all City, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The City's millage rate for the year ended September 30, 2015, was 3.5914 mills. The tax levy of the City is established by the City Commission prior to October 1, of each year.

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Position and Fund Equity**

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

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

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

These classifications may consist of the following:

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

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

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of Estimates**

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

**Use of Restricted Asset**

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

**Subsequent events**

The City evaluated subsequent events through June 27, 2016, 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  | \$16,906,094        |
| Less: accumulated depreciation  | <u>(5,552,395)</u>  |
| Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i> | <u>\$11,353,699</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  | \$ 204,583        |
| Accrued compensated absences  | 81,365            |
| Other postemployment benefits   | <u>105,170</u>    |
| Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i> | <u>\$ 391,118</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   | \$ 1,300,260      |
| Depreciation expense   | <u>(425,771)</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>\$ 874,489</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   | \$ 58,578        |
| Increase in compensated absences   | <u>29,222</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>\$ 87,800</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, 2015, 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, 2015, the City did not hold any deposits or investments that were considered to be a custodial risk.

**Concentration of Credit Risk**

As September 30, 2015, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2015, the City's cash and investments consisted of the following:

|                      | Credit<br>Rating | Current     | 0-5<br>Years | Total<br>Carrying<br>Amount |
|----------------------|------------------|-------------|--------------|-----------------------------|
| Cash including money |                  |             |              |                             |
| Market fund          | (1)              | \$5,506,066 | \$ —         | \$5,506,066                 |
| Total                |                  | \$5,506,066 | —            | \$5,506,066                 |

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

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

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

**NOTE 4- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015, was as follows:

|   | <u>September 30,<br/>2014</u> | <u>Increases</u>         | <u>Decreases</u>           | <u>September 30,<br/>2015</u> |
|---|-------------------------------|--------------------------|----------------------------|-------------------------------|
| <b>Governmental Activities:</b>   |                               |                          |                            |                               |
| Capital assets not being depreciated:   |                               |                          |                            |                               |
| Land  | \$ 4,804,198                  | \$ 1,049,892             | \$ —                       | \$ 5,854,090                  |
| Construction in progress  | <u>890,687</u>                | <u>—</u>                 | <u>(890,687)</u>           | <u>—</u>                      |
| Total capital assets, not being depreciated   | <u>5,694,885</u>              | <u>1,049,892</u>         | <u>(890,687)</u>           | <u>5,854,090</u>              |
| Capital assets being depreciated:   |                               |                          |                            |                               |
| Buildings   | 1,629,500                     | 50,559                   | —                          | 1,680,059                     |
| Improvements  | 6,718,830                     | 142,949                  | —                          | 6,861,779                     |
| Furniture, equipment, and vehicles  | <u>2,453,306</u>              | <u>56,860</u>            | <u>—</u>                   | <u>2,510,166</u>              |
| Total capital assets being depreciated  | <u>10,801,636</u>             | <u>250,368</u>           | <u>—</u>                   | <u>11,052,004</u>             |
| Less accumulated depreciation for:  |                               |                          |                            |                               |
| Buildings   | (1,048,916)                   | (22,233)                 | —                          | (1,071,149)                   |
| Improvements  | (2,014,862)                   | (299,764)                | —                          | (2,314,626)                   |
| Furniture, equipment, and vehicles  | <u>(2,062,846)</u>            | <u>(103,774)</u>         | <u>—</u>                   | <u>(2,166,620)</u>            |
| Total accumulated depreciation  | <u>(5,126,624)</u>            | <u>(425,771)</u>         | <u>—</u>                   | <u>(5,552,395)</u>            |
| Total capital assets being depreciated, net   | <u>5,675,012</u>              | <u>(175,403)</u>         | <u>—</u>                   | <u>5,499,609</u>              |
| <b>Total Governmental activities, capital assets,<br/>(net of accumulated depreciation)</b> | <b><u>\$ 11,369,897</u></b>   | <b><u>\$ 874,489</u></b> | <b><u>\$ (890,687)</u></b> | <b><u>\$ 11,353,699</u></b>   |

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

|   |                          |
|---|--------------------------|
| Administration  | 11,488                   |
| Police  | 40,307                   |
| Fire  | 42,295                   |
| Streets and highways  | 130,444                  |
| Parks and recreation  | 192,375                  |
| Maintenance Shop  | <u>8,862</u>             |
| <b>Total depreciation expense – governmental activities</b> | <b><u>\$ 425,771</u></b> |

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

**NOTE 4- CAPITAL ASSETS (continued)**

|   | <u>September 30,<br/>2014</u> | <u>Increases</u>           | <u>Decreases</u>             | <u>September 30,<br/>2015</u> |
|---|-------------------------------|----------------------------|------------------------------|-------------------------------|
| <b>Business-Type Activities:</b>  |                               |                            |                              |                               |
| Capital assets not being depreciated:   |                               |                            |                              |                               |
| Land  | \$ 1,396,638                  | \$ —                       | \$ —                         | \$ 1,396,638                  |
| Construction in progress  | <u>2,060,185</u>              | <u>—</u>                   | <u>(2,060,185)</u>           | <u>—</u>                      |
| Total capital assets, not being depreciated   | <u>3,456,823</u>              | <u>—</u>                   | <u>(2,060,185)</u>           | <u>1,396,638</u>              |
| Capital assets being depreciated:   |                               |                            |                              |                               |
| Solid waste facility  | 100,557                       | —                          | —                            | 100,557                       |
| Wastewater treatment plant and<br>Improvements  | 59,438,410                    | 107,723                    | —                            | 59,546,133                    |
| Water and sewer distribution system   | 30,860,327                    | 2,472,133                  | —                            | 33,332,460                    |
| Furniture, equipment and vehicles   | <u>2,600,534</u>              | <u>93,563</u>              | <u>—</u>                     | <u>2,694,097</u>              |
| Total capital assets being depreciated  | <u>92,999,828</u>             | <u>2,673,419</u>           | <u>—</u>                     | <u>95,673,247</u>             |
| Accumulated depreciation  |                               |                            |                              |                               |
| Solid waste facility  | (90,731)                      | (1,638)                    | —                            | (92,369)                      |
| Wastewater treatment plant and<br>Improvements  | (20,858,672)                  | (1,923,763)                | —                            | (22,782,435)                  |
| Water and sewer distribution system   | (5,745,894)                   | (798,113)                  | —                            | (6,544,007)                   |
| Furniture, equipment and vehicles   | <u>(1,493,264)</u>            | <u>(175,001)</u>           | <u>—</u>                     | <u>(1,668,265)</u>            |
| Total accumulated depreciation  | <u>(28,188,561)</u>           | <u>(2,898,515)</u>         | <u>—</u>                     | <u>(31,087,076)</u>           |
| Total capital assets being depreciated, net   | <u>64,811,267</u>             | <u>(225,096)</u>           | <u>—</u>                     | <u>64,586,171</u>             |
| <b>Total business-type activities', capital<br/>assets, (net of accumulated depreciation)</b> | <b><u>\$ 68,268,090</u></b>   | <b><u>\$ (225,096)</u></b> | <b><u>\$ (2,060,185)</u></b> | <b><u>\$ 65,982,809</u></b>   |

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

|  |                           |
|--|---------------------------|
| Water, sewer and wastewater                                | \$2,896,877               |
| Solid waste  | <u>1,638</u>              |
| <b>Total depreciation expense-business-type activities</b> | <b><u>\$2,898,515</u></b> |

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

**NOTE 5- LONG - TERM DEBT**

Long-term obligations and debt at September 30, 2015, are as follows:

|  | <u>Balance<br/>September 30,<br/>2014</u> | <u>Additions</u>        | <u>Deductions</u>         | <u>Balance<br/>September 30,<br/>2015</u> | <u>Due<br/>Within<br/>One Year</u> |
|--|---|-------------------------|---------------------------|---|------------------------------------|
| <b>Governmental activities</b>   |   |                         |                           |   |                                    |
| USDA Capital Improvement<br>Revenue Bonds, dated<br>July 24, 2009, payable<br>annually to 2029;<br>interest at 4.375%.   | \$ 215,026                                | \$ —                    | \$ (10,443)               | \$ 204,583                                | \$ 10,900                          |
| Land note secured by<br>property payable in annual<br>installments including<br>interest at 6% maturing<br>January 2015. | 48,135                                    | —                       | (48,135)                  | —   | —                                  |
| Liability for compensated<br>absences  | 52,143                                    | 29,222                  | —                         | 81,365                                    | 20,341                             |
| Other postemployment<br>benefit liability  | <u>97,124</u>                             | <u>8,046</u>            | <u>—</u>                  | <u>105,170</u>                            | <u>—</u>                           |
| <b>Total governmental activities<br/>Long-term obligations</b>   | <b><u>\$ 412,428</u></b>                  | <b><u>\$ 37,268</u></b> | <b><u>\$ (58,578)</u></b> | <b><u>\$ 391,118</u></b>                  | <b><u>\$ 31,241</u></b>            |

Future debt service requirements for the governmental funds:

| <u>Year Ending<br/>September 30,</u> | <u>Governmental Funds</u> |                         |                          |
|--------------------------------------|---------------------------|-------------------------|--------------------------|
|                                      | <u>Principal</u>          | <u>Interest</u>         | <u>Total</u>             |
| 2016                                 | \$ 10,900                 | \$ 8,951                | \$ 19,851                |
| 2017                                 | 11,377                    | 8,474                   | 19,851                   |
| 2018                                 | 11,874                    | 7,976                   | 19,851                   |
| 2019                                 | 12,394                    | 7,456                   | 19,851                   |
| 2020                                 | 12,936                    | 6,914                   | 19,851                   |
| 2021-2025                            | 73,681                    | 25,570                  | 99,251                   |
| 2026-2029                            | <u>71,421</u>             | <u>7,979</u>            | <u>79,400</u>            |
| <b>Total</b>                         | <b><u>\$ 204,583</u></b>  | <b><u>\$ 73,320</u></b> | <b><u>\$ 277,903</u></b> |

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

**NOTE 5- LONG - TERM DEBT (continued)**

|   | <u>Balance<br/>September 30,<br/>2014</u> | <u>Additions</u>         | <u>Deductions</u>          | <u>Balance<br/>September 30,<br/>2015</u> | <u>Due<br/>Within<br/>One Year</u> |
|---|---|--------------------------|----------------------------|---|------------------------------------|
| <b>Business-type activities</b>                                     |   |                          |                            |   |                                    |
| <b>Water, sewer and<br/>    Wastewater fund</b>                     |   |                          |                            |   |                                    |
| Water and Sewer System  |   |                          |                            |   |                                    |
| Fixed Rate Loan Due 2032  | \$15,137,451                              | \$ —                     | \$ (403,199)               | \$ 14,734,252                             | \$ 417,542                         |
| State Revolving Fund –  |   |                          |                            |   |                                    |
| Sewer Headworks, dated  |   |                          |                            |   |                                    |
| 5/3/2011; payable   |   |                          |                            |   |                                    |
| semi-annually to 2029.  |   |                          |                            |   |                                    |
| Interest at 2.35%   | 2,136,080                                 | —                        | (52,364)                   | 2,083,716                                 | 101,013                            |
| State Revolving Fund –  |   |                          |                            |   |                                    |
| Water distribution, dated   |   |                          |                            |   |                                    |
| 2/6/2012; payable   |   |                          |                            |   |                                    |
| semi-annually to 2017.  |   |                          |                            |   |                                    |
| Interest at 2.42%   | 1,200,654                                 | 36,088                   | (110,822)                  | 1,125,920                                 | 112,367                            |
| Liability for compensated   |   |                          |                            |   |                                    |
| absences  | 77,203                                    | 27,541                   | —                          | 104,744                                   | 26,186                             |
| Other postemployment  |   |                          |                            |   |                                    |
| benefit liability   | 105,117                                   | 95,116                   | —                          | 200,233                                   | —                                  |
| <b>Total business-type<br/>activities long-term<br/>liabilities</b> | <b><u>\$18,656,505</u></b>                | <b><u>\$ 158,745</u></b> | <b><u>\$ (566,385)</u></b> | <b><u>\$ 18,248,865</u></b>               | <b><u>\$ 657,108</u></b>           |

Future debt service requirements:

| <u>Year Ending<br/>September 30,</u> | <u>Enterprise Funds</u>     |                            |                             |
|--------------------------------------|-----------------------------|----------------------------|-----------------------------|
|                                      | <u>Principal</u>            | <u>Interest</u>            | <u>Total</u>                |
| 2016                                 | \$ 630,922                  | \$ 573,567                 | \$ 1,204,489                |
| 2017                                 | 650,377                     | 554,113                    | 1,204,490                   |
| 2018                                 | 670,446                     | 534,043                    | 1,204,489                   |
| 2019                                 | 691,150                     | 513,338                    | 1,204,488                   |
| 2020                                 | 712,511                     | 491,977                    | 1,204,488                   |
| 2021-2025                            | 3,379,704                   | 2,115,684                  | 5,495,388                   |
| 2026-2030                            | 10,518,570                  | 1,146,669                  | 11,665,239                  |
| 2031-2032                            | 290,208                     | 8,575                      | 298,783                     |
| <b>Total</b>                         | <b><u>\$ 17,543,888</u></b> | <b><u>\$ 5,937,966</u></b> | <b><u>\$ 23,481,854</u></b> |

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

**NOTE 5- LONG - TERM DEBT (continued)**

**Capital Improvement Revenue Bonds, Series 2009**

The \$252,600 Capital Improvement Revenue Bonds, Series 2009 are fully registered bonds dated July 24, 2009, bearing an interest rate of 4.375%, maturing September 1 through 2029. The bonds are secured by a pledge on the City's alcoholic beverage license tax and occupational license tax. Annual principal and interest payments on the bonds are 60 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$297,753. Principal and interest paid for the current year and total pledged revenues were \$19,851 and \$34,312 respectively.

**Water and Sewer System Refunding Revenue Note, Series 2010**

The \$16,179,219.51 Water and Sewer System Refunding Revenue Note, Series 2010 was restructured on October 15, 2013, bearing an interest rate of 3.41%, and maturing October 15, 2028. The note is secured by a pledge on the City's net revenues of the water/sewer system and the water/sewer capital facilities fees. Semiannual principal and interest payments on the note were 10 percent of pledged revenues. The total principal and interest remaining to be paid on the note is \$20,082,635. Principal and interest paid for the current year and total pledged revenues were \$460,110 and \$5,414,448 respectively.

**State Revolving Fund Loan - Headworks**

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

**State Revolving Fund Loan – Water Distribution**

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

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

**NOTE 6- INTERFUND RECEIVABLES, PAYABLE and TRANSFERS**

The interfund balances at September 30, 2015, were as follows:

|                             | <b><u>Due from<br/>Other funds</u></b> | <b><u>Due to<br/>Other funds</u></b> |
|-----------------------------|--|--------------------------------------|
| General fund                | \$17,309,350                           | \$14,927,810                         |
| Water, sewer and wastewater | <u>31,153,435</u>                      | <u>33,534,975</u>                    |
| Total                       | <u>\$48,462,785</u>                    | <u>\$48,462,785</u>                  |

The interfunds loans were for operating advances.

**NOTE 7- EMPLOYEE BENEFITS**

**A. Florida Retirement System**

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

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

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

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

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

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

The FRS CAFR and actuarial valuation reports as of July 1, 2015 are available online at [http://ww.dms.myflorida.com/workforce\\_operations/retirement/publications/annual\\_reports](http://ww.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports).

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

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

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

The FRS relies upon contributions from employees and employers, along with investment income, to meet the funding requirements of an actuarially determined accrued liability. As of July 1, 2015, the date of the latest valuation, the FRS funded ratio was 86.50% on the valuation funding basis and 89.70% on a Market Value of Assets basis.

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

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

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2015, the contribution rate was 1.66% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2015, 2014, and 2013 were \$231,419, \$219,748, and \$155,813, respectively, which is equal to 100% of the required contribution for each year.

The rates for 2015 and 2014 fiscal years were as follows:

| <b>Membership Category</b>                           | <b>Benefits</b>  | <b>Vesting</b>                         | <b>Employer Contribution Rate</b> |                     |
|--|--|--|-----------------------------------|---------------------|
|  |  |  | <b>July 1, 2014</b>               | <b>July 1, 2015</b> |
| Regular Class  | For employees in the FRS as of June 30, 2011, normal retirement at age 62 or at least 30 years of service: 1.60% times average compensation (five highest years) times years of creditable service.            | After six years of creditable service. | 7.37%                             | 7.26%               |
| Senior Management Class                              | For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 1.6% times average compensation (eight highest years) times years of creditable service. | After eight years creditable service.  |                                   |                     |
| Special Risk (sworn employees)                       | For employees in the FRS as of June 30, 2011, normal retirement at age 55, or 25 years of special risk service: 2% to 3% times average compensation (five highest years) times years of creditable service.    | After six years of creditable service. | 21.14%                            | 21.43%              |
| Elected County Officers' Class (ESCOC) - Nonjudicial | For employees in the FRS as of June 30, 2011, normal retirement at eight years ESCOC service and age 62: 3.00% times average compensation (five highest years) times years of creditable service.              | After six years of creditable service. | 43.24%                            | 42.27%              |

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

| <b>Membership Category</b>                | <b>Benefits</b>   | <b>Vesting</b>  | <b>Employer Contribution Rate</b> |                     |
|---|---|---|-----------------------------------|---------------------|
|   |   |   | <b>July 1, 2014</b>               | <b>July 1, 2015</b> |
|   | For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 3.00% times average compensation (eight highest years) times years of creditable service. | After eight years creditable service.                         |                                   |                     |
| Deferred Retirement Option Program (DROP) | For employees in DROP as of June 30, 2011 retirement benefit paid to DROP where it earns 6.5% interest, tax deferred, for up to five years while the member continues to work.                                  | Available to vested members at normal retirement age or date. | 12.28%                            | 12.88%              |
|   | For employees entered in DROP on or after July 1, 2011, retirement benefit paid to DROP where it earns 1.3% interest, tax deferred, for up to five years while the member continues to work.                    |   |                                   |                     |

*Net Pension Liability* – At September 30, 2015, the County reported for its share of the FRS and HIS plans the amount for the net pension liability as shown below:

|               | <u><b>FRS</b></u> | <u><b>HIS</b></u> | <u><b>Total</b></u> |
|---------------|-------------------|-------------------|---------------------|
| June 30, 2015 | \$1,004,672       | \$743,810         | \$1,748,482         |
| June 30, 2014 | \$ 486,246        | \$695,259         | \$1,181,505         |

The net pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2015 and July 1, 2014 for the net pension liability as of June 30, 2015 and 2014, respectively.

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

At September 30, 2015, the County reported for its proportionate share of the employer portion for the FRS and HIS net pension liability the percentages below:

|                            | <u>FRS</u>    | <u>HIS</u>     |
|----------------------------|---------------|----------------|
| June 30, 2015              | 0.007778300%  | 0.007293375%   |
| June 30, 2014              | 0.007969317%  | 0.007435733%   |
| Increase in Share for 2015 | (0.00191017)% | (0.000142358)% |

The County’s proportionate share of the net pension liability was based on the County’s 2014-2015 fiscal year contributions relative to the 2013-2014 fiscal year contributions of all participating members of FRS.

*Actuarial Methods and Assumptions* – Actuarial Assumptions for both defined benefit plans are reviewed by the Florida Retirement System Actuarial Assumptions Conference on an annual basis. The FRS Pension Plan has an annual valuation in accordance with 121.031(3), Florida Statutes while the Health Insurance Subsidy HIS program is valued biennially and updated for GASB reporting in the year a valuation is not performed. An experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. The HIS program is funded on a pay as you go basis and so no experience study has been completed for this program.

The total pension liability for each of the defined plans determined by an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long term expected rate of return used for the FRS Pension Plan investments is 7.65%.

The plan’s fiduciary net position was projected as available for all projected future benefit payments of current active and inactive employees. The discount rate for calculating the total pension liability is equal to the long term expected rate of return. For the HIS program, a municipal bond rate of 3.80% was used to determine the total pension liability. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB Tables.

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

The actuarial assumptions that determined the total pension liability as of June 30, 2014 were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2013 and are shown below:

|                                      |  |  |
|--------------------------------------|--|--|
| Valuation Date                       | July 1, 2014                                     | July 1, 2015                                     |
| Measurement Date                     | June 30, 2014                                    | June 30, 2015                                    |
| Payroll Growth                       | 1.00%  | 0.65%  |
| Inflation                            | 3.00%  | 2.60%  |
| Salary Increases Including Inflation | 4.00 %   | 3.25%  |
| Rate of Return                       | 7.75%  | 7.65%  |
| HIS Municipal                        | 4.29%  | 3.80%  |
| Mortality                            | Generational RP-2000 with<br>Projection Scale AA | Generational RP-2000 with<br>Projection Scale BB |
| Actuarial Cost Method                | Entry Age Normal                                 | Entry Age Normal                                 |

*Investments* – To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by Milliman’s capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting. The table below shows Milliman’s assumptions for each asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy’s description of each class was used to map the target allocation to the classes shown below. Each assumption is based on a consistent set of underlying assumptions, and includes an adjustment for inflation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

| <u>Asset Class</u>       | <u>Target<br/>Allocation (1)</u> | <u>Annual<br/>Arithmetic<br/>Return</u> | <u>Compound<br/>Annual<br/>(Geometric)<br/>Return</u> | <u>Standard<br/>Deviation</u> |
|--------------------------|----------------------------------|---|---|-------------------------------|
| Cash                     | 1.00%                            | 3.20%                                   | 3.10%   | 1.70%                         |
| Fixed Income             | 18.00%                           | 4.80%                                   | 4.70%   | 4.70%                         |
| Global Equity            | 53.00%                           | 8.50%                                   | 7.20%   | 17.70%                        |
| Real Estate (Property)   | 10.00%                           | 6.80%                                   | 6.20%   | 12.00%                        |
| Private Equity           | 6.00%                            | 11.90%                                  | 8.20%   | 30.00%                        |
| Strategic Investments    | <u>12.00%</u>                    | <u>6.70%</u>                            | <u>6.10%</u>  | <u>11.40%</u>                 |
| Total                    | <u>100.00%</u>                   |   |   |                               |
| Assumed Inflation – Mean |                                  | 2.60%                                   |   | 1.90%                         |

(1) As in the Pension Plan’s investment policy

*Sensitivity Analysis* – the tables below represent the sensitivity of the net pension liability to changes in the discount rate for Port St. Joe, Florida. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate shows as 1.00% higher or 1.00% lower than the current discounted rate at June 30, 2015.

| <u>FRS Net Pension Liability</u> |                          |                     |
|----------------------------------|--------------------------|---------------------|
| 1%<br>Decrease                   | Current<br>Discount Rate | 1%<br>Increase      |
| <u>6.65%</u>                     | <u>7.65%</u>             | <u>8.65%</u>        |
| <u>\$2,603,332</u>               | <u>\$ 1,004,672</u>      | <u>\$ (325,676)</u> |

| <u>HIS Net Pension Liability</u> |                          |                   |
|----------------------------------|--------------------------|-------------------|
| 1%<br>Decrease                   | Current<br>Discount Rate | 1%<br>Increase    |
| <u>2.80%</u>                     | <u>3.80%</u>             | <u>4.80%</u>      |
| <u>\$ 847,536</u>                | <u>\$ 743,810</u>        | <u>\$ 657,317</u> |

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

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

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

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2015 was 6.3 years for FRS and 7.2 for HIS. The components of collective pension expense reported in the pension allocation schedules for the year ended June 30, 2015 are presented for each plan.

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

Florida Retirement System

The Components of the collective pension expense reported in the pension allocation schedules by the Florida Retirement System for the year ended June 30, 2015 are presented below and are used to calculate Port St. Joe, Florida's share of the pension plan for 2015 which is 0.00778300%.

|   | <b>Total</b>     | <b>Expense</b>   | <b>Deferred<br/>Outflows</b> | <b>Deferred<br/>(Inflows)</b> | <b>Amortization<br/>Period</b> |
|---|------------------|------------------|------------------------------|-------------------------------|--------------------------------|
| <b>Beginning Net Pension Liability at June 30, 2014</b> | \$ 6,101,470,575 |                  |                              |                               |                                |
| <b>Service Cost</b>                                     | 2,114,046,879    | 2,114,046,879    |                              |                               |                                |
| <b>Interest on Total Pension Liability</b>              | 11,721,563,262   | 11,721,563,262   |                              |                               |                                |
| <b>Experience Assumptions</b>                           | 1,620,863,000    | 186,038,844      | 1,363,583,159                | (306,336,286)                 | 6.3 Years                      |
| <b>Employer Contributions</b>                           | (2,438,084,925)  |                  |                              |                               | 6.3 Years                      |
| <b>Projected Investment Earnings</b>                    | (11,210,153,877) | (11,210,153,877) |                              |                               |                                |
| <b>Member Contributions</b>                             | (698,304,112)    | (698,304,112)    | 918,043,103                  | (918,043,103)                 |                                |
| <b>(Gain) Loss on Investments</b>                       | 5,686,866,405    | (1,407,193,138)  |                              | (3,084,206,132)               | 5.0 Years                      |
| <b>Administrative Expense</b>                           | 18,073,979       | 18,073,979       |                              |                               |                                |
| <b>Net Pension Liability at June 30, 2015</b>           | \$12,916,341,186 | \$ 923,444,134   | \$3,138,927,138              | \$(4,308,585,521)             |                                |

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

For the fiscal year ended September 30, 2015, the County recognized pension expense of \$71,828 for the FRS plan. In addition the County reported deferred outflows of resources and deferred inflows of resources relate to pensions from the following sources:

| <b>Description</b>   | <b>Deferred Outflows<br/>of Resources<br/>for the FRS Plan</b> | <b>Deferred Inflows<br/>of Resources<br/>for the FRS Plan</b> |
|--|--|---|
| Differences between expected and actual experience   | \$ 106,064   | \$ (23,828)   |
| Change of assumptions  | 66,683   | —   |
| Net difference between projected and actual earnings on FRS Plan investments   | 353,873  | (593,772)   |
| Changes in proportion and differences between County FRS Plan contributions and proportionate share of contributions | 1,191  | (25,070)  |
| County FRS Plan contributions subsequent to the measurement date   | —  | —   |
| Total  | <u>\$ 527,811</u>  | <u>\$ (642,670)</u>   |

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

| <b>Reporting<br/>Period Ending June 30</b> | <b>FRS Expense</b> |
|--|--------------------|
| 2016                                       | \$ (79,477)        |
| 2017                                       | (79,477)           |
| 2018                                       | (79,477)           |
| 2019                                       | 118,447            |
| 2020                                       | 23,002             |
| Thereafter                                 | 6,004              |

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

Health Insurance Subsidy

The components of the collective pension expense reported in the pension allocation schedules for the Florida Retirement System's Health Insurance Subsidy for the year ended June 30, 2015 are presented below and are used for to calculate Port St. Joe, Florida's share for 2015 which is 0.007293375%.

|   | <b>Total</b>     | <b>Expense</b> | <b>Deferred<br/>Outflows</b> | <b>Deferred<br/>(Inflows)</b> | <b>Amortization<br/>Period</b> |
|---|------------------|----------------|------------------------------|-------------------------------|--------------------------------|
| <b>Beginning Net Pension Liability at June 30, 2014</b> | \$ 9,350,244,011 |                |                              |                               |                                |
| <b>Service Cost</b>                                     | 217,518,873      | 217,518,873    |                              |                               |                                |
| <b>Interest on Total Pension Liability Experience</b>   | 405,440,918      | 405,440,918    |                              |                               |                                |
| <b>Assumptions</b>                                      | 607,698,044      | 138,066,828    | 802,350,014                  |                               | 7.2 Years                      |
| <b>Employer Contributions</b>                           | (382,262,242)    |                |                              |                               |                                |
| <b>Projected Investment Earnings</b>                    | (3,093,329)      | (3,093,329)    |                              |                               |                                |
| <b>(Gain) Loss on Investments</b>                       | 2,693,028        | 1,660,696      | 5,520,694                    |                               | 5.0 Years                      |
| <b>Administrative Expense</b>                           | 187,672          | 187,672        |                              |                               |                                |
| <b>Net Pension Liability at June 30, 2015</b>           | \$10,198,426,975 | \$759,781,658  | \$ 807,870,708               |                               |                                |

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

**NOTE 7- EMPLOYEE BENEFITS (continued)**

For the fiscal year ended September 30, 2015, the County recognized pension expense of \$55,414 for the HIS plan. In addition the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u>   | <u>Deferred Outflows<br/>of Resources<br/>for the HIS Plan</u> | <u>Deferred Inflows<br/>of Resources<br/>for the HIS Plan</u> |
|--|--|---|
| Differences between expected and actual experience   | \$ —   | \$ —  |
| Change of assumptions  | 58,518   | —   |
| Net difference between projected and actual earnings on HIS Plan investments   | 403  | —   |
| Changes in proportion and differences between County HIS Plan contributions and proportionate share of contributions | 6,196  | (11,049)  |
| County HIS Plan contributions subsequent to the measurement date   | <u>—</u>   | <u>—</u>  |
| Total  | <u>\$ 65,117</u>   | <u>\$ (11,049)</u>  |

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

| <u>Reporting<br/>Period Ending June 30</u> | <u>FRS Expense</u> |
|--|--------------------|
| 2016                                       | \$ 10,191          |
| 2017                                       | 10,191             |
| 2018                                       | 10,191             |
| 2019                                       | 10,191             |
| 2020                                       | 10,191             |
| Thereafter                                 | 8,170              |

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

**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, 2015, 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.

**NOTE 10- GENERAL BUSINESS CONDITIONS: SOLID WASTE DISPOSAL**

**Solid Waste Disposal**

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

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

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

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

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

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.

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              |

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

| <u>Description</u>                                   |    |                       |
|--|----|-----------------------|
| Normal cost (service cost for one year)              | \$ | 74,328                |
| Amortization of unfunded actuarial accrued liability |    | <u>30,011</u>         |
| Annual required contribution                         |    | 104,339               |
| Interest on net OPEB obligation                      |    | 5,702                 |
| Adjustment to annual required contribution           |    | <u>36,598</u>         |
| Annual OPEB cost (expense)                           |    | 146,639               |
| Contribution toward the OPEB cost                    |    | <u>—</u>              |
| Increase in net OPEB obligation                      |    | 103,162               |
| Net OPEB obligation, beginning of year               |    | <u>202,241</u>        |
| Net OPEB obligation, end of year                     | \$ | <u><u>305,403</u></u> |

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, 2015 was as follows:

| <u>Year ending<br/>September 30,</u> | <u>Annual OPEB<br/>Cost</u> | <u>Percentage of OPEB<br/>Cost Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|--------------------------------------|-----------------------------|--|--------------------------------|
| 2012                                 | \$ 142,054                  | 0%   | \$ 421,951                     |
| 2013                                 | 101,154                     | 0%   | 479,628                        |
| 2014                                 | 103,162                     | 0%   | 202,241                        |
| 2015                                 | 103,162                     | 0%   | 305,403                        |

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.

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

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

Actuarial Methods and Assumptions

The City had an actuarial valuation completed for the fiscal year ended September 30, 2015. 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, 2015 is 25 years.

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

In fiscal year 9/30/15 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*". The objective is to improve accounting and financial reporting by State and local governments for pensions.

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

**NOTE 12 – ACCOUNTING CHANGES, ACCOUNTING STANDARDS AND PRIOR PERIOD  
ADJUSTMENT (continued)**

The implementation of Standard 68 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements and resulted in the adjustment below:

|  | <u>Governmental</u> | <u>Business-Type</u> | <u>Total</u>         |
|--|---------------------|----------------------|----------------------|
| Net position at September 30, 2014           | \$17,047,859        | \$48,079,057         | \$ 65,126,916        |
| Change in reporting for pensions             | <u>(1,187,997)</u>  | <u>(499,076)</u>     | <u>(1,687,073)</u>   |
| Net position at September 30, 2014, restated | <u>\$15,859,862</u> | <u>\$47,579,981</u>  | <u>\$ 63,439,843</u> |

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PORT ST. JOE, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION**

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

| <b>Actuarial<br/>Valuation<br/>Date<br/>As of<br/>Oct 1,</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>(b)</b> | <b>Unfunded<br/>Actuarial<br/>(UAAL)<br/>(b-a)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Annual<br/>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>(b-a)/c )</b> |
|--|--|--|--|-----------------------------------|---|--|
| 2010   | \$ 0   | \$ 526,894   | \$526,894  | 0%                                | 2,080,000                                     | 25%  |
| 2011   | \$ 0   | \$ 526,894   | \$526,894  | 0%                                | 2,080,000                                     | 25%  |
| 2012   | \$ 0   | \$ 526,894   | \$526,894  | 0%                                | 2,080,000                                     | 25%  |
| 2013   | \$ 0   | \$ 740,712   | \$740,712  | 0%                                | 2,210,000                                     | 33.52%   |
| 2014   | \$ 0   | \$ 593,064   | \$593,064  | 0%                                | 2,210,000                                     | 26.84%   |
| 2015   | \$ 0   | \$ 593,064   | \$593,064  | 0%                                | 2,210,000                                     | 26.84%   |

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

| <b>Fiscal Year<br/>Ended<br/>September 30,</b> | <b>Actual<br/>Contribution</b> | <b>Annual<br/>Required<br/>Contribution</b> | <b>Percentage<br/>Contributed</b> |
|--|--------------------------------|---|-----------------------------------|
| 2013   | \$ 0                           | \$ 101,154                                  | 0%                                |
| 2014   | \$ 0                           | \$ 103,162                                  | 0%                                |
| 2015   | \$ 0                           | \$ 103,162                                  | 0%                                |

**CITY OF PORT ST. JOE, FLORIDA**  
**PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Last Ten Years\***  
**SEPTEMBER 30, 2015**

|  | <b>2015</b>  |
|--|--------------|
| Port St. Joe, Florida's proportion of the net pension liability  | 0.013536976% |
| Port St. Joe, Florida's proportionate share of the net pension liability   | \$ 1,748,482 |
| Port St. Joe, Florida's covered-employee payroll   | \$ 2,196,719 |
| Port St. Joe, Florida's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 79.60%       |
| Plan fiduciary net position as a percentage of the total pension liability   | 92.00%       |

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

**CITY OF PORT ST. JOE, FLORIDA**  
**SCHEDULE OF PENSION PLAN CONTRIBUTIONS**  
**Last Ten Fiscal Years\***  
**SEPTEMBER 30, 2015**

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

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

## **COMPLIANCE SECTION**

# Vance CPA LLC

***Certified Public Accountant***

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

## **INDEPENDENT AUDITOR'S REPORT ON INVESTMENT COMPLIANCE**

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

We have examined the City of Port St. Joe, Florida's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

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

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

*Vance CPA LLC*

**Vance CPA LLC**  
June 27, 2016

# Vance CPA LLC

***Certified Public Accountant***

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

## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

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

We have audited the financial statements of the City of Port St. Joe, Florida as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 27, 2016.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

### **Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133; Schedule of Findings and Responses; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 27, 2016, should be considered in conjunction with this management letter.

### **Prior Audit Findings:**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Finding 2014-01 in the preceding annual financial audit report was corrected.

### **Official Title and Legal Authority**

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

**Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Port St. Joe, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Port St. Joe, Florida was not in a state of financial emergency, as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Port St. Joe's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Port St. Joe, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

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

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

**Purpose of this Letter**

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

*Vance CPA LLC*

**Vance CPA LLC**  
June 27, 2016

# 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Port St. Joe, Florida's basic financial statements, and have issued our report thereon dated June 27, 2016.

### **Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Vance CPA LLC*

**Vance CPA LLC**

June 27, 2016