

FINANCIAL STATEMENTS

TOWN OF PONCE INLET, FLORIDA

For the Year Ended September 30, 2015
With Independent Auditors' Reports

MAYOR

Honorable Gary Smith

VICE MAYOR

Mary Hoss

TOWN COUNCIL MEMBERS

Tami Lewis
Bill Milano
Joe Perrone

TOWN MANAGER

Jeaneen Witt, CMC

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TABLE OF CONTENTS
ANNUAL FINANCIAL REPORT
September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	1
Table of Contents	3
FINANCIAL SECTION	
Independent Auditor’s Report.....	9
Management’s Discussion and Analysis.....	15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	29
Statement of Activities.....	30
Fund Financial Statements:	
Balance Sheet - Governmental Funds	32
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	35
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	39
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund.....	40
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Timucuan Oaks Special Revenue Fund.....	42
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Land Acquisition and Facility Special Revenue Fund	43
Statement of Fund Net Position - Proprietary Funds	44
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	45
Statement of Cash Flows - Proprietary Funds.....	46
Notes to the Financial Statements	51
Required Supplementary Information:	
Schedule of Funding Progress – Other Postemployment Benefit Obligation	89
Schedule of Employer Contributions - Other Postemployment Benefit Obligation.....	89
FRS- Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions.....	90
HIS- Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions.....	92
Other Supplementary Information:	
Combining Balance Sheet-Nonmajor Governmental Funds	96

TABLE OF CONTENTS (Continued)
ANNUAL FINANCIAL REPORT
 September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Page</u>
Other Supplementary Information (Continued):	
Combining Statement of Revenues, Expenditures and Changes In Fund Balances- Nonmajor Governmental Funds	98
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:	
Debt Service (Major) Fund	100
Tree Bank Special Revenue Fund	101
Sidewalks Special Revenue Fund.....	102
Parks and Recreation Special Revenue Fund	103
Police Education Special Revenue Fund.....	104
Contraband/Forfeitures Special Revenue Fund.....	105

COMPLIANCE SECTION

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	109
Management Letter	111
Independent Accountants’ Report on (Compliance with Section 218.415, Florida Statutes)	115

FINANCIAL SECTION

THIS SECTION IS COMPOSED OF THE FOLLOWING FIVE PARTS:

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Ponce Inlet, Florida (the "Town") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc., the discretely presented component unit, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Ponce DeLeon Inlet Lighthouse Preservation Association, Inc., the discretely presented component unit, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ponce DeLeon Inlet Lighthouse Preservation Association, Inc., the discretely presented component unit, is based on the report of the other auditors. 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 financial statement 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Ponce Inlet, Florida, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Timucuan Oaks Special Revenue Fund, and Public Land Acquisition and Facility Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Uncertainties Regarding the Future Outcome of Litigation

As discussed in Note 17 to the financial statements, the Town has received Final Judgment in the lawsuit which alleged unlawful land use decisions made by the Town Council. The Town has filed an appeal to the judgment which it will vigorously pursue. The ultimate outcome of this appeal cannot presently be determined, but management is of the opinion that the Judgment entered against the Town was in error containing significant misinterpretations and misapplications of the law. At this stage, it is impracticable to render an opinion about the probability of an unfavorable outcome to the appeal. Accordingly, no provision for any liability that may result has been made in the financial statements. Nevertheless, due to uncertainties related to the Appeal, it is at least reasonably possible that management's view of the outcome will change in the near term.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Schedules of Funding Progress - Other Postemployment Benefit Obligation, Schedule of Employer Contributions- Other Postemployment Benefit Obligation, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions – FRS Plan, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions – HIS Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion

To the Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida
Page 3

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2016, on our consideration of the Town of Ponce Inlet, 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 Town of Ponce Inlet, Florida's internal control over financial reporting and compliance.

BMC CPAs

May 11, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the Town of Ponce Inlet, Florida, (hereinafter referred to as the "Town"), we offer the readers of these basic financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year that ended on September 30, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this information.

Financial Highlights

- The Town's overall combined assets and deferred outflows totaled \$19,733,400 at the close of the 2015 fiscal year compared to \$19,119,276 last year. Total assets and deferred outflows exceeded liabilities by \$11,841,971 (*combined net position*) compared with \$13,473,514 one year earlier. The unrestricted component of the Town's combined net position totaled \$1,301,327 at year end, compared with \$3,316,493 one year earlier. This amount represents the unrestricted amount that may be used to meet the Town's ongoing obligations to citizens and creditors.
- Net position of the Town's governmental activities totaled \$9,928,893, a decrease of \$1,595,849 over last year's reported \$11,524,742, or -13.9%. Net position of its business-type activities totaled \$1,913,078, a decrease of \$35,694 under last year's \$1,948,772, or -1.8%. Net position balances shown for September 30, 2015, includes a restatement and reduction of \$2,106,257 (governmental activities) and \$149,803 (business activities) for the implementation of GASB No. 68, recognition of net pension liabilities. The prior year balances do not reflect this restatement.
- During 2015, the Town incurred governmental expenses of \$5,398,391, which were \$510,408 less than the \$5,908,799 generated in revenues (taxes and all other governmental sources) and transfers for providing its various governmental activities and programs. Included in this amount is \$44,000 representing net interfund transfers from the Town's business-type funds for partial reimbursement of administrative costs. The 2015 increase in net position of \$510,408 was \$243,601 greater than the \$266,807 increase reported in the net position of the governmental operations in 2014.
- The Town's business-type activities produced a combined operating profit (before contributions and operating transfers) of \$150,983 during 2015 based exclusively on consumptive water/sewer/solid waste utility sales and other revenues of \$2,520,978 (\$2,344,592 in 2014). After recognition of capital contributions of \$7,126 and net interfund transfers out of \$44,000, the increase in combined net position totaled \$114,109 in 2015, compared to a decrease of \$2,344 in 2014.
- Combined fund balances in the General Fund increased by \$135,313 in 2015 and totaled \$2,677,335, compared to the increase in 2014 of \$234,746 resulting in a total of \$2,542,022. The Town's cost of legal services, most of which was incurred to defend the Town in a civil suit, totaled \$785,141 in 2015, compared to \$982,818 in 2014 and represent approximately 16% and 20%, respectively, of total General Fund expenditures. Amounts committed by the Town Council for a stabilization reserve (\$1,362,890) and other unassigned fund balance (\$763,873) totaled \$2,126,763 at the end of 2015. This amount decreased in 2015 and was \$85,260 less than the \$2,212,023 reported one year earlier. These amounts represent approximately 42% (153 days) and 44% (162 days) of reported General Fund expenditures for 2015 and 2014, respectively.
- The Town's total long-term debt represented by loan obligations totaled \$4,133,717 at the end of 2015, compared to \$4,459,663 at the end of 2014. In addition to its long-term loans, the Town has \$293,261 and \$304,039 in compensated absences liabilities outstanding at the end of 2015 and

2014, respectively, (e.g., accrued sick and personal leave). Principal reductions on the Town's long-term debt in 2015 totaled \$325,946, compared to \$314,961 one year earlier.

Overview of the Financial Statements

The Town's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including budgetary comparisons and fiduciary fund data.

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the Town's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the Town. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Town's overall financial status, including its governmental activities and its business-type activities. These statements report information about the Town using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Town's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide financial statements. The governmental funds' statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the Town's water, sewer and refuse utility systems.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Town's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the Town's governmental fund activities.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The basic financial statements of the Town include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the Town's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased

net position, which indicates an improved financial condition.

- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the Town's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes; earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*government 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 Town include general government services, public safety (police, fire and building inspection), transportation and streets (public works), stormwater management and recreation and leisure services. The business-type activities of the Town include its water, sewer and refuse utility systems.

The government-wide financial statements include not only the Town of Ponce Inlet itself (known as the primary government), but also the financial data of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc. (the "Lighthouse Association"), for which the Town is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. Complete financial statements of the Lighthouse Association component unit can be obtained directly from the Association's Administrative Office at 4931 South Peninsula Drive, Ponce Inlet, FL 32127.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances are supplemented with a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains nine individual 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 balances for the General Fund, Timucuan Oaks Special Revenue Fund, Public Land

Acquisition and Facility Special Revenue Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual fund budgetary statements in the other supplementary information section of this report.

Proprietary Funds. Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The Town's three enterprise funds (water, sewer and refuse utility systems, all of which are considered major funds of the Town) are aggregated in the business-type activities presented in the government-wide statements. Since the accounting for these operations is similar to that provided in the government-wide financial statements, the fund financial statements provide limited supplemental information in more detail, such as cash flows data.

Financial Analysis of the Town as a Whole

Net position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the Town's combined total assets exceeded liabilities (net position) by \$11,841,971 at the end of 2015 compared to \$11,217,454 at the end of 2014 (after restatement and reduction of 2.3 million for the recognition of net pension liabilities), which is summarized as follows:

Net Position						
September 30, 2015 and 2014						
	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014 (*)</u>	<u>2015</u>	<u>2014 (*)</u>	<u>2015</u>	<u>2014 (*)</u>
Assets:						
Current and other assets.....	\$ 3,735,147	3,686,090	1,019,359	937,473	4,754,506	4,623,563
Restricted assets.....	-	-	80,947	73,533	80,947	73,533
Capital assets, net.....	<u>12,930,764</u>	<u>12,930,206</u>	<u>1,477,045</u>	<u>1,491,974</u>	<u>14,407,809</u>	<u>14,422,180</u>
Total assets.....	<u>16,665,911</u>	<u>16,616,296</u>	<u>2,577,351</u>	<u>2,502,980</u>	<u>19,243,262</u>	<u>19,119,276</u>
Deferred outflows of resources.....	<u>457,594</u>	<u>-</u>	<u>32,544</u>	<u>-</u>	<u>490,138</u>	<u>-</u>
Liabilities:						
Long-term debt.....	4,133,717	4,459,663	-	-	4,133,717	4,459,663
Other liabilities.....	<u>2,686,566</u>	<u>631,891</u>	<u>670,194</u>	<u>554,208</u>	<u>3,356,760</u>	<u>1,186,099</u>
Total liabilities.....	<u>6,820,283</u>	<u>5,091,554</u>	<u>670,194</u>	<u>554,208</u>	<u>7,490,477</u>	<u>5,645,762</u>
Deferred inflows of resources.....	<u>374,329</u>	<u>-</u>	<u>26,623</u>	<u>-</u>	<u>400,952</u>	<u>-</u>
Net Position:						
Invested in capital assets, net of related debt.....	8,797,047	8,470,543	1,477,045	1,491,974	10,274,092	9,962,517
Restricted.....	185,605	120,971	80,947	73,533	266,552	194,504
Unrestricted.....	<u>946,241</u>	<u>2,933,228</u>	<u>355,086</u>	<u>383,265</u>	<u>1,301,327</u>	<u>3,316,493</u>
Total net position.....	<u>\$ 9,928,893</u>	<u>11,524,742</u>	<u>1,913,078</u>	<u>1,948,772</u>	<u>11,841,971</u>	<u>13,473,514</u>

(*) Balances for September 30, 2014 have not been restated for adjustment to beginning net position in the fiscal year ended September 30, 2015 due to the implementation of GASB Statement No.68

One of the most significant components of the Town's net position (87%) is its investment in capital assets (land, buildings, building improvements, and equipment), less any related debt used to acquire or construct those assets, which is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town also has a small investment (2%) in other restricted net position, consisting of unspent local option fuel taxes (\$123,509), judgments and fines restricted for police education (\$10,533), court ordered confiscations and forfeitures restricted for police investigations (\$7,033), amounts restricted for building permit fee related costs (\$40,113), amounts restricted for debt service payments (\$4,417), and utility impact fees restricted for utility expansion (\$80,947). Consequently, the remaining 11% of unrestricted net position represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, which totaled \$1,301,327 at the end of 2015 and \$3,316,493 at the end of 2014.

Changes in Net position. While the statement of net position shows a snapshot of the Town's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and sources of those changes. During 2015, the Town's total revenues increased by \$342,893 (or 4.3%) and totaled \$8,395,821, compared to \$8,052,928 the prior year. This year's increase was primarily due to a rise in current charges for services, which increased by \$285,682 in 2015.

During 2015, approximately 50% of the Town's total revenue (from both governmental and business activities) was derived from property taxes, while 56 cents of every dollar raised came from some form of tax. Another 39% was produced from fees charged for services, while the substantial portion of the remainder is from capital/operating grants and contributions, intergovernmental revenues and other sources (5%). The total costs of providing all of the Town's routine programs and services decreased by \$17,161 in 2015, which represents an decrease of less than 1% overall. Amounts totaled \$7,771,304 for 2015, compared to \$7,788,465 in the prior year.

Overall, the Town's revenues increased by about 4.3% compared to last year. The Town's expenses for its combined governmental and business activities decreased by less than 1% compared to the prior year. The Town's combined net position increased in 2015 by \$624,517, compared to an increase in the prior year of \$264,463. The following is a summary of changes in net position for the fiscal year:

Changes in Net Position
For the Years Ended September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014 (*)	2015	2014 (*)	2015	2014 (*)
Revenues:						
Current charges for services	\$ 731,007	622,204	2,520,978	2,344,099	3,251,985	2,966,303
Operating grants/contributions	86,071	82,572	-	-	86,071	82,572
Capital grants/contributions	63,726	61,554	7,126	8,951	70,852	70,505
General revenues:						
Property taxes	4,163,672	4,139,703	-	-	4,163,672	4,139,703
Other taxes	515,353	524,004	-	-	515,353	524,004
Intergovernmental	238,008	219,037	-	-	238,008	219,037
Other revenues	<u>66,962</u>	<u>50,311</u>	<u>2,918</u>	<u>493</u>	<u>69,880</u>	<u>50,804</u>
Total revenues	<u>5,864,799</u>	<u>5,699,385</u>	<u>2,531,022</u>	<u>2,353,543</u>	<u>8,395,821</u>	<u>8,052,928</u>
Expenses:						
General government	1,820,879	1,928,219	-	-	1,820,879	1,928,219
Public safety	2,621,282	2,657,833	-	-	2,621,282	2,657,833
Physical environment	95,107	102,365	-	-	95,107	102,365
Transportation	453,303	435,825	-	-	453,303	435,825
Culture/recreation	251,033	187,011	-	-	251,033	187,011
Interest expense	156,787	168,325	-	-	156,787	168,325
Water system	-	-	1,289,324	1,276,982	1,289,324	1,276,982
Sewer system	-	-	934,946	886,498	934,946	886,498
Refuse/solid waste system	-	-	<u>148,643</u>	<u>145,407</u>	<u>148,643</u>	<u>145,407</u>
Total expenses	<u>5,398,391</u>	<u>5,479,578</u>	<u>2,372,913</u>	<u>2,308,887</u>	<u>7,771,304</u>	<u>7,788,465</u>
Transfers in (out)	<u>44,000</u>	<u>47,000</u>	<u>(44,000)</u>	<u>(47,000)</u>	-	-
Increase in net assets	510,408	266,807	114,109	(2,344)	624,517	264,463
Net position- beginning	11,524,742	11,257,935	1,948,772	1,951,116	13,473,514	13,209,051
Adjustment- GASB 68	<u>(2,106,257)</u>	<u>-</u>	<u>(149,803)</u>	<u>-</u>	<u>(2,256,060)</u>	<u>-</u>
Net position- beginning (restated)	<u>9,418,485</u>	<u>11,257,935</u>	<u>1,798,969</u>	<u>1,951,116</u>	<u>11,217,454</u>	<u>13,209,051</u>
Net position- end of year	<u>\$ 9,928,893</u>	<u>11,524,742</u>	<u>1,913,078</u>	<u>1,948,772</u>	<u>11,841,971</u>	<u>13,473,514</u>

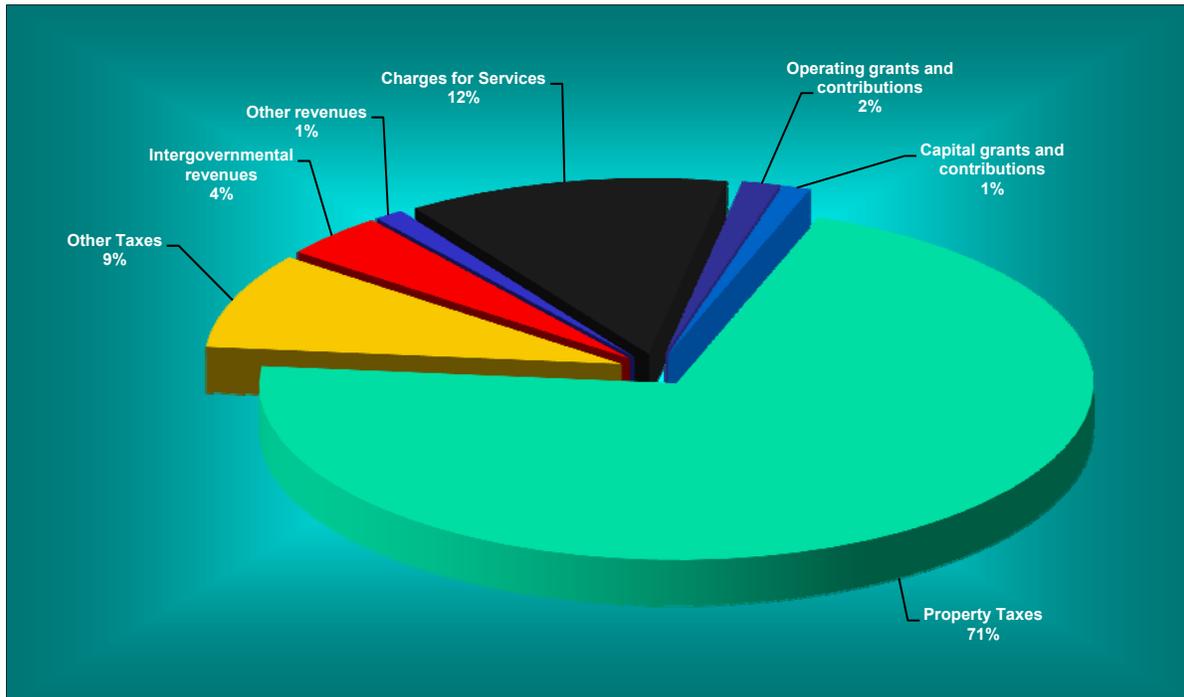
(*) Balances for September 30, 2014 have not been restated for adjustments to beginning net position in the fiscal year ended September 30, 2015 due to the implementation of GASB Statement No.68.

Governmental Activities

Revenues for the Town's governmental activities were approximately 2.9% greater than the amount of revenue earned in the prior fiscal year, the majority of which was attributed to an increase in current charges for services in 2015 which were up \$108,803 over the prior year. Overall, the Town's governmental revenues totaled \$5,864,799 in 2015, which represents an increase of \$165,414 over last year's reported revenues of \$5,699,385.

The following is a summary of the Town's governmental revenues by source:

Revenues by Source - Governmental Activities

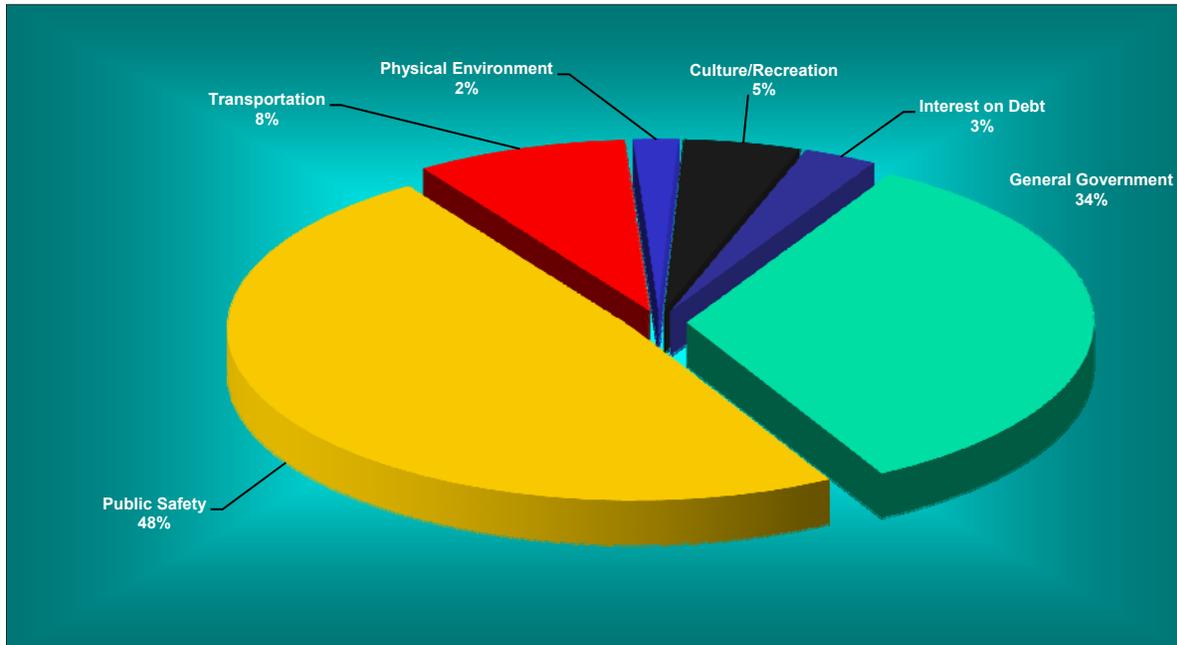


Overall, the Town experienced a decrease in expenses for the Town's combined governmental activities. Governmental expenses decreased by \$81,187 in 2015, or -1.5%, and totaled \$5,398,391 for the year ended September 30, 2015, compared to a total of \$5,479,578 incurred during the prior year. The largest decrease experienced in 2015 was in legal expenses incurred to defend the Town in a civil suit. Legal department expenses decreased by \$197,677 in 2015 and totaled \$785,141, compared to a total of \$982,818 incurred in 2014. It is anticipated that these expenses will continue to be incurred in FY 2016 in defending the Town in an ongoing legal dispute.

The Town's public safety (police, fire and inspection) function expenses are the most significant component of cost. During 2015 public safety costs totaled \$2,621,283, or 48% (compared to 49% last year), of the Town's total governmental expenses. The Town's general government function expenses are the next largest segment and totaled \$1,820,879 for the year, or 34% (compared to 35% last year), of the Town's total operating expenses. The Town's stormwater, transportation and recreation functions combined totaled \$799,443 for the year, or 15% (compared to 13% last year), of the total governmental expense. Interest expense on all of the Town's general long-term debt obligations totaled \$156,787 for the year, or 3% (compared to 3% last year), of the total governmental expense.

The following is a summary of the Town's governmental expenses by function:

Expenses by Function - Governmental Activities



Business-type Activities

The major sources of operating revenues for the Town's business-type activities are charges for services attributed to its water, sewer and refuse utilities. Potable water is purchased in bulk from the City of Port Orange and sold to the Town's customers under rates established by the Town. Sewer collection services are billed by the Town on behalf of the City of Port Orange under rates established by Port Orange, all of which is remitted to Port Orange monthly. The Town collects an annual administrative fee for billing, collecting, and remitting all sewer charges and payments. The Town also bills utility connection and capacity fees on behalf of Port Orange under rates established by Port Orange, which are collected and subsequently remitted to Port Orange. Solid waste and recycling fees are charged to the Town's customers under rates established by the Town. An independent contractor is engaged by the Town to perform all collection and disposal activities.

Combined utility sales totaled \$2,520,978 in 2015, compared to \$2,344,099 in 2014. The Town also collected water and sewer impact/connection fees (included in reported total sales for 2015) totaling \$12,635 and \$55,366, respectively, which were remitted to the City of Port Orange. In addition to these charges, the Town received \$7,126 in water impact fees and \$2,918 in miscellaneous revenues and investment earnings during the recent fiscal year.

Combined operating expenses of the Town's business-type activities totaled \$2,372,913 in 2015, compared to \$2,308,887 in 2014. Depreciation expense on utility fund assets included in this amount totaled \$116,724 and \$119,131 for the years ended in 2015 and 2014, respectively.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Town completed the year, its governmental funds reported a combined fund balance of \$3,419,497, which was \$41,764 more than the \$3,377,733 reported at the close of 2014.

The general fund is the chief operating fund of the Town. At the end of 2015, the unassigned fund balance in the general fund totaled \$763,873, compared to \$879,646, one year earlier. Unassigned balances do not contain Town Council established stabilization (commitment) amounts of \$1,362,890 and \$1,332,377 for 2015 and 2014, respectively. Combined unassigned fund balances and stabilization amounts represent approximately 42% (22 weeks/153 days) of the Town's general fund spending for 2015, compared to 44% (23 weeks/162 days) in 2014.

The Public Land Acquisition and Facility special revenue fund was established in 2003 to separately account for the collection and disposition of the Town's franchise fee collections on solid waste and utility service taxes on providers of electricity and liquid propane in the Town (and pledged for debt service on the Town's Capital Improvement Revenue Note, Series 2005). These funds are restricted for the acquisition and improvement of real property in the Town. At the end of 2015, unreserved fund balance in this fund was \$490,971 compared to \$696,231 one year earlier. To better describe the activity of this fund in regard to the obligation of the aforementioned Revenue Note, Series 2005 (the Town Hall capital project), the Town continues to budget approximately \$328,000 per year in revenue towards loan payments so some of this fund's reserve each year is allocated in the budget to meet this obligation.

The Timucuan Oaks special revenue fund was established to separately account for the collection, matching and disposition of capital grant funds acquired to procure and develop park land within the Town. Amounts accumulated in the fund at the end of 2015 totaled \$175,489 (compared to \$69,261 one year earlier) and represent the Town's share of future costs anticipated to be expended on capital projects in FY 2016.

Fund balances in the remainder of the Town's non-major special revenue and capital projects funds increased by \$5,486 in 2015 and totaled \$71,285, compared to \$65,799 at the end of the prior year.

Proprietary Funds. The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$339,703. Unreserved equity in the Town's Sewer Utility Fund (which is operated on a pass-through basis in conjunction with an Agreement with the City of Port Orange, Florida), totaled \$6,544 at the end of the year, all of which will ultimately be transferred to the Town's General Fund. Unreserved fund equity in the Town's Refuse Utility Fund totaled \$8,839 at year end. Net operating transfers totaling \$44,000 were transferred to governmental funds during 2015 in the form of excess equity, reimbursements for capital acquisitions and operating transfers. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the Town's operating budget. These budget amendments fall into two categories:

- Amendments and supplemental appropriations were approved midway through the year to reflect the actual opening account balances (correcting estimated amounts in the budget adopted at the beginning of the year).
- Increases/decreases in line item budget appropriations to prevent budget overruns.

Actual earned revenues were \$78,442 less than the final amounts anticipated to be received during the year in the Town's General Fund. Actual expenditures incurred were \$158,511 below the \$5.2 million amended budget appropriations provided in the 2015 operating budget. The Town's General Fund operated at a surplus, (\$135,313) with transfer activities included, and was not required to draw from existing fund balance and/or surplus reserves to meet spending obligations for the year.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2015, the Town had \$20.7 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. This investment in capital assets, net of depreciation, for all activities is reflected in the following schedule:

Capital Assets						
September 30, 2015 and 2014						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and land rights.....	\$ 4,824,460	4,569,460	4,033	4,033	4,828,493	4,573,493
Buildings.....	5,431,819	5,410,304	-	-	5,431,819	5,410,304
Improvements other than buildings.....	4,747,103	4,710,524	3,031,716	3,150,069	7,778,819	7,860,593
Equipment and furniture.....	<u>2,518,578</u>	<u>2,465,555</u>	<u>138,867</u>	<u>148,335</u>	<u>2,657,445</u>	<u>2,613,890</u>
	17,521,960	17,155,843	3,174,616	3,302,437	20,696,576	20,458,280
Less: accumulated depreciation.....	<u>(4,670,268)</u>	<u>(4,225,637)</u>	<u>(1,862,984)</u>	<u>(1,892,695)</u>	<u>(6,533,252)</u>	<u>(6,118,332)</u>
	12,851,692	12,930,206	1,311,632	1,409,742	14,163,324	14,339,948
Construction in progress.....	<u>79,072</u>	-	<u>165,413</u>	<u>82,232</u>	<u>244,485</u>	<u>82,232</u>
Net capital assets.....	<u>\$ 12,930,764</u>	<u>12,930,206</u>	<u>1,477,045</u>	<u>1,491,974</u>	<u>14,407,809</u>	<u>14,422,180</u>

Long-term Debt. At year end, the Town had \$4,133,717 in governmental activities long-term note and promissory loan obligations outstanding, compared to \$4,459,663 one year earlier. All of the Town's long-term debt is secured solely by specified revenue sources and is not backed with the full faith and credit of the government. These obligations and the Town's compensated absences liabilities are reflected in the following schedule:

General Long-Term Debt						
September 30, 2015 and 2014						
	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Capital Improvement Revenue						
Note, Series 2005.....	\$ 2,647,957	2,858,957	-	-	2,647,957	2,858,957
Florida Department of Environmental Protection State Revolving Fund Loan.....	<u>1,485,760</u>	<u>1,600,706</u>	<u>-</u>	<u>-</u>	<u>1,485,760</u>	<u>1,600,706</u>
	4,133,717	4,459,663	-	-	4,133,717	4,459,663
Compensated absences	<u>258,659</u>	<u>269,917</u>	<u>34,602</u>	<u>34,122</u>	<u>293,261</u>	<u>304,039</u>
General long-term debt.....	<u>\$ 4,392,376</u>	<u>4,729,580</u>	<u>34,602</u>	<u>34,122</u>	<u>4,426,978</u>	<u>4,763,702</u>

The Town has a 2005 capital improvement revenue note obligation payable to Bank of America totaling \$2,647,957 at year end. The proceeds of this Series 2005 loan were used to finance the acquisition of land and the construction of a Town Hall and Public Safety Complex. The Town makes semi-annual debt service payments on this obligation until 2024.

The Town has a low interest loan program offered by the Florida Department of Environmental Protection Clean Water State Revolving Fund Loan Program. The proceeds of this construction loan were used to develop and rehabilitate the Town's stormwater management infrastructure. The Town makes semi-annual debt service payments on this obligation until 2026. The balance due on this loan at year end was \$1,485,760.

Economic Factors and Next Year's Budgets and Rates

Many factors are considered each year by the Town Council in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform utility fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a countywide unemployment rate of 5.3% at the end of September 2015, which is below the 5.9% rate experienced one year earlier. These estimates are consistent with the State of Florida's 5.1% unemployment rates, while the reported overall national unemployment rate is slightly lower at 5.0%, as of September 2015.
- Inflationary trends for Volusia County are consistent with those trends experienced at the state and national levels.

- The overall Taxable Value (Just Value less statutory exemptions) of real and personal property on the 2015 levy increased 6.6% from \$695 million to \$741 million in October 2014 and 2015, respectively. The Town Council voted to decrease the operating millage for the 2015 levy to 5.7922 mills, which was 5.9% less than the 6.1536 mills in the 2014 levy and is equal to the 2015 roll-back rate of 5.7922 mills.

In the process of presenting a balanced operating budget for the General Fund for 2015-2016 and to meet the challenges discussed above, a complete departmental review of the operational needs of each department was considered and submitted to the Town Manager for approval prior to being compiled and submitted to the Town Council for inclusion in the final budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Town Manager, Town of Ponce Inlet, Florida, 4300 South Atlantic Avenue, Ponce Inlet, Florida 32127.

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION
September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lighthouse Association
Assets:				
Cash and cash equivalents.....	\$ 2,025,393	775,704	2,801,097	356,605
Investments.....	1,248,014	-	1,248,014	587,623
Receivables, net.....	193,272	222,971	416,243	-
Inventories.....	5,387	-	5,387	211,107
Prepaid expenses.....	263,081	20,684	283,765	10,492
Temporarily restricted assets:				
Cash and cash equivalents.....	-	80,947	80,947	12,079
Capital assets:				
Land and construction in progress.....	4,903,532	169,446	5,072,978	407,450
Other capital assets, net of depreciation.	<u>8,027,232</u>	<u>1,307,599</u>	<u>9,334,831</u>	<u>2,711,234</u>
Total assets.....	<u>16,665,911</u>	<u>2,577,351</u>	<u>19,243,262</u>	<u>4,296,590</u>
Deferred outflows on pensions.....	<u>457,594</u>	<u>32,544</u>	<u>490,138</u>	<u>-</u>
Liabilities:				
Accounts payable and accrued liabilities...	274,792	229,489	504,281	54,941
Deposits/unearned revenue.....	33,061	256,160	289,221	-
Accrued interest payable.....	28,847	-	28,847	-
Other postemployment benefits.....	35,701	3,750	39,451	-
Net pension liability.....	2,055,506	146,193	2,201,699	-
Long-term debt:				
Due within one year.....	337,010	-	337,010	-
Due in more than one year.....	3,796,707	-	3,796,707	-
Compensated absences.....	<u>258,659</u>	<u>34,602</u>	<u>293,261</u>	<u>-</u>
Total liabilities.....	<u>6,820,283</u>	<u>670,194</u>	<u>7,490,477</u>	<u>54,941</u>
Deferred inflows on pensions.....	<u>374,329</u>	<u>26,623</u>	<u>400,952</u>	<u>-</u>
Net Position:				
Net investment in capital assets.....	8,797,047	1,477,045	10,274,092	3,118,684
Restricted for:				
Utility expansion.....	-	80,947	80,947	-
Public safety.....	57,679	-	57,679	-
Debt service.....	4,417	-	4,417	-
Transportation.....	123,509	-	123,509	-
Recreation.....	-	-	-	12,079
Unrestricted.....	<u>946,241</u>	<u>355,086</u>	<u>1,301,327</u>	<u>1,110,886</u>
Total net position.....	<u>\$ 9,928,893</u>	<u>1,913,078</u>	<u>11,841,971</u>	<u>4,241,649</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015
TOWN OF PONCE INLET, FLORIDA

Functions / Programs	Program Revenues			
	Expenses	Charges For Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government.....	\$ 1,820,879	346,036	-	-
Public safety.....	2,621,283	330,725	-	-
Physical environment.....	95,107	-	-	-
Transportation.....	453,303	-	85,978	63,726
Culture/recreation.....	251,033	54,246	93	-
Interest on long-term debt.....	156,787	-	-	-
Total governmental activities.....	<u>5,398,391</u>	<u>731,007</u>	<u>86,071</u>	<u>63,726</u>
Business-type Activities:				
Water utilities.....	1,289,324	1,391,509	-	7,126
Sewer utilities.....	934,946	956,330	-	-
Refuse utilities.....	148,643	173,139	-	-
Total business-type activities.....	<u>2,372,913</u>	<u>2,520,978</u>	<u>-</u>	<u>7,126</u>
Total primary government.....	<u>\$ 7,771,304</u>	<u>3,251,985</u>	<u>86,071</u>	<u>70,852</u>
Component Units:				
Lighthouse Association.....	<u>\$ 1,630,730</u>	<u>1,857,246</u>	<u>23,377</u>	<u>53,716</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes.....				
Public service taxes.....				
Other taxes.....				
Intergovernmental revenues.....				
Investment earnings (loss).....				
Miscellaneous.....				
Transfers.....				
Total general revenues and transfers.....				
Change in net position.....				
Net position - beginning of year (as previously reported).....				
Change in accounting for defined benefit pension costs.....				
Net position - beginning of year (as restated).....				
Net position - end of year.....				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Lighthouse Association
(1,474,843)	-	(1,474,843)	
(2,290,558)	-	(2,290,558)	
(95,107)	-	(95,107)	
(303,599)	-	(303,599)	
(196,694)	-	(196,694)	
<u>(156,787)</u>	<u>-</u>	<u>(156,787)</u>	
<u>(4,517,587)</u>	<u>-</u>	<u>(4,517,587)</u>	
-	109,311	109,311	
-	21,384	21,384	
<u>-</u>	<u>24,496</u>	<u>24,496</u>	
<u>-</u>	<u>155,191</u>	<u>155,191</u>	
<u>(4,517,587)</u>	<u>155,191</u>	<u>(4,362,396)</u>	
			<u>303,609</u>
4,163,672	-	4,163,672	-
508,248	-	508,248	-
7,105	-	7,105	-
238,008	-	238,008	-
17,177	2,918	20,095	4,153
49,785	-	49,785	1,821
<u>44,000</u>	<u>(44,000)</u>	<u>-</u>	<u>-</u>
<u>5,027,995</u>	<u>(41,082)</u>	<u>4,986,913</u>	<u>5,974</u>
<u>510,408</u>	<u>114,109</u>	<u>624,517</u>	309,583
11,524,742	1,948,772	13,473,514	<u>3,932,066</u>
<u>(2,106,257)</u>	<u>(149,803)</u>	<u>(2,256,060)</u>	
<u>9,418,485</u>	<u>1,798,969</u>	<u>11,217,454</u>	
<u>\$ 9,928,893</u>	<u>1,913,078</u>	<u>11,841,971</u>	<u>4,241,649</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	General	Timucuan Oaks	Public Land Acquisition and Facility	Debt Service
Assets:				
Cash and cash equivalents.....	\$ 1,266,029	226,814	456,577	4,417
Investments.....	1,248,014	-	-	-
Receivables, net.....	67,269	-	34,394	-
Due from other governments.....	91,455	-	-	-
Inventories.....	5,387	-	-	-
Prepaid expenses.....	<u>263,081</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>\$ 2,941,235</u>	<u>226,814</u>	<u>490,971</u>	<u>4,417</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses.....	\$ 223,042	51,325	-	-
Unearned revenue.....	<u>40,858</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>263,900</u>	<u>51,325</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable.....	268,468	-	-	-
Restricted.....	163,622	-	-	4,417
Committed.....	1,362,890	-	490,971	-
Assigned.....	118,482	175,489	-	-
Unassigned.....	<u>763,873</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>2,677,335</u>	<u>175,489</u>	<u>490,971</u>	<u>4,417</u>
Total liabilities and fund balances.....	<u>\$ 2,941,235</u>	<u>\$ 226,814</u>	<u>\$ 490,971</u>	<u>\$ 4,417</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total- Governmental Funds
71,556	2,025,393
-	1,248,014
-	101,663
154	91,609
-	5,387
<u>-</u>	<u>263,081</u>
<u>71,710</u>	<u>3,735,147</u>
425	274,792
<u>-</u>	<u>40,858</u>
<u>425</u>	<u>315,650</u>
-	268,468
17,566	185,605
-	1,853,861
53,719	347,690
<u>-</u>	<u>763,873</u>
<u>71,285</u>	<u>3,419,497</u>
<u>\$ 71,710</u>	<u>\$ 3,735,147</u>

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**
September 30, 2015
TOWN OF PONCE INLET, FLORIDA

Total governmental activities fund balances.....		\$ 3,419,497
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		12,930,764
Revenues in the statement of activities that do not provide current financial resources and, therefore, are not reported as revenue in the funds:		
Delinquent tax revenues.....		7,797
The (increase) decrease in net pension liabilities, deferred outflows and inflows, and postemployment benefits costs are reported in the statement of activities, but not in individual governmental fund statements as follows:		
Deferred outflows of pension plans.....	457,594	
Deferred inflows of pension plans.....	(374,329)	
Net pension liabilities.....	(2,055,506)	
Other postemployment benefit obligation payable.....	<u>(35,701)</u>	<u>(2,007,942)</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable, and capital lease obligations.....	(4,133,717)	
Accrued interest payable.....	(28,847)	
Compensatory wages payable.....	<u>(258,659)</u>	<u>(4,421,223)</u>
Net position of governmental activities.....		<u>\$ 9,928,893</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	General	Timucuan Oaks	Public Land Acquisition and Facility	Debt Service
Revenue:				
Taxes:				
Property taxes.....	\$ 4,158,478	-	-	-
Local option gas taxes.....	149,704	-	-	-
Public service taxes.....	166,715	-	341,533	-
Business taxes.....	7,105	-	-	-
Permits, fees and assessments.....	499,793	-	34,860	-
Intergovernmental revenue	238,101	-	-	-
Charges for services.....	152,114	-	-	-
Fines and forfeitures.....	22,895	-	-	-
Investment earnings (loss).....	15,220	28	1,452	449
Miscellaneous revenue.....	41,435	2,500	-	-
Total revenue.....	<u>5,451,560</u>	<u>2,528</u>	<u>377,845</u>	<u>449</u>
Expenditures:				
Current:				
General government.....	1,697,563	-	-	-
Public safety.....	2,724,955	-	-	-
Physical environment.....	13,138	-	255,000	-
Transportation.....	457,128	-	-	-
Culture/recreation.....	131,918	83,311	-	-
Debt service:				
Principal.....	-	-	-	325,946
Interest.....	-	-	-	159,145
Total expenditures.....	<u>5,024,702</u>	<u>83,311</u>	<u>255,000</u>	<u>485,091</u>
Excess of revenue over expenditures.....	<u>426,858</u>	<u>(80,783)</u>	<u>122,845</u>	<u>(484,642)</u>
Other Financing Sources (Uses):				
Operating transfers in.....	19,000	187,011	-	484,639
Operating transfers (out).....	<u>(310,545)</u>	<u>-</u>	<u>(328,105)</u>	<u>-</u>
	<u>(291,545)</u>	<u>187,011</u>	<u>(328,105)</u>	<u>484,639</u>
Excess of revenue and other sources (under) expenditures and other uses.....	135,313	106,228	(205,260)	(3)
Fund balances - beginning of year.....	<u>2,542,022</u>	<u>69,261</u>	<u>696,231</u>	<u>4,420</u>
Fund balances - end of year.....	<u>\$ 2,677,335</u>	<u>175,489</u>	<u>490,971</u>	<u>4,417</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total- Governmental Funds
--------------------------------	---------------------------------

-	4,158,478
-	149,704
-	508,248
-	7,105
19,081	553,734
-	238,101
-	152,114
2,264	25,159
28	17,177
<u>5,850</u>	<u>49,785</u>
<u>27,223</u>	<u>5,859,605</u>

-	1,697,563
4,519	2,729,474
-	268,138
-	457,128
9,218	224,447
-	325,946
<u>-</u>	<u>159,145</u>

<u>13,737</u>	<u>5,861,841</u>
---------------	------------------

<u>13,486</u>	<u>(2,236)</u>
---------------	----------------

-	690,650
<u>(8,000)</u>	<u>(646,650)</u>
<u>(8,000)</u>	<u>44,000</u>

5,486	41,764
-------	--------

<u>65,799</u>	<u>3,377,733</u>
---------------	------------------

<u>71,285</u>	<u>3,419,497</u>
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2015
TOWN OF PONCE INLET, FLORIDA

Net change in fund balances - total governmental funds..... \$ 41,764

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Expenditures for capital assets.....	543,592	
Less: current year provision for depreciation.....	<u>(543,034)</u>	558

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Increase (decrease) in delinquent taxes.....		5,194
--	--	-------

Deferred outflows and inflows of resources are not available in the current period and, therefore, are not reported in the governmental funds. Deferred outflows and inflows of resources at year end consist of:

Deferred outflows of pension plans.....	248,373	
Deferred inflows of pension plans.....	<u>869,081</u>	1,117,454

Net pension and postemployment benefits obligations that are actuarially due and payable in the current period which will be accumulated and paid in future periods consist of:

Net pension liabilities.....	(983,438)	
Other postemployment benefit obligation payable.....	<u>11,258</u>	(972,180)

Some expenses reported in the statement of activities do not require the use of current financial resources are not reported as expenditures in the funds:

(Increase) decrease in employee compensated absences.....	(10,686)	
(Increase) decrease in accrued interest on long-term debt obligations.....	<u>2,358</u>	<u>(8,328)</u>

Repayment of principal on long-term debt obligations is an expenditure in the governmental fund, but the repayments reduce long-term liabilities in the statement of net assets.....

325,946

Change in net position of governmental activities..... \$ 510,408

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes:				
Property taxes.....	\$ 4,159,515	4,294,515	4,158,478	(136,037)
Local option gas taxes.....	148,085	148,085	149,704	1,619
Public service taxes.....	176,408	169,000	166,715	(2,285)
Local business taxes.....	7,398	7,131	7,105	(26)
Permits and fees.....	397,600	471,150	499,793	28,643
Intergovernmental:				
Local half-cent sales tax.....	152,232	155,000	157,363	2,363
Other intergovernmental.....	77,607	83,841	80,738	(3,103)
Charges for services.....	90,330	126,260	152,114	25,854
Fines and forfeitures.....	16,450	19,750	22,895	3,145
Miscellaneous:				
Investment earnings (loss).....	9,357	14,409	15,220	811
Contributions and donations.....	4,075	11,942	12,688	746
Miscellaneous revenues.....	<u>33,543</u>	<u>28,919</u>	<u>28,747</u>	<u>(172)</u>
Total revenues.....	<u>5,272,600</u>	<u>5,530,002</u>	<u>5,451,560</u>	<u>(78,442)</u>
Expenditures:				
General Government:				
Legislative.....	122,988	145,597	117,293	28,304
Executive.....	395,993	420,538	403,740	16,798
Finance and administrative.....	34,400	33,452	33,103	349
Legal.....	1,360,000	785,000	785,141	(141)
Planning and zoning.....	<u>353,918</u>	<u>377,615</u>	<u>358,286</u>	<u>19,329</u>
	<u>2,267,299</u>	<u>1,762,202</u>	<u>1,697,563</u>	<u>64,639</u>
Public Safety:				
Police.....	1,231,858	1,250,699	1,232,940	17,759
Fire.....	1,102,424	1,153,156	1,116,276	36,880
Protective Inspection.....	<u>386,659</u>	<u>389,209</u>	<u>375,739</u>	<u>13,470</u>
	<u>2,720,941</u>	<u>2,793,064</u>	<u>2,724,955</u>	<u>68,109</u>
Physical Environment:				
Stormwater.....	<u>24,000</u>	<u>14,500</u>	<u>13,138</u>	<u>1,362</u>
Transportation:				
Public works facilities.....	432,831	436,524	422,818	13,706
Road and street facilities.....	<u>49,900</u>	<u>40,500</u>	<u>34,310</u>	<u>6,190</u>
	<u>482,731</u>	<u>477,024</u>	<u>457,128</u>	<u>19,896</u>

The accompanying notes are an integral part of the financial statements

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Culture/Recreation.....	\$ 125,588	136,423	131,918	4,505
Total expenditures.....	5,620,559	5,183,213	5,024,702	158,511
Excess of revenue over (under) expenditures	(347,959)	346,789	426,858	80,069
Other Financing Sources (Uses):				
Transfers from:				
Sewer Fund.....	8,400	8,500	8,500	-
Refuse Fund.....	10,500	10,500	10,500	-
Appropriated fund balance.....	516,410	(3,032)	-	3,032
Appropriated for future use.....	(55,840)	(52,212)	-	52,212
Transfers to:				
Timucan Oaks.....	-	(179,011)	(179,011)	-
Debt Service Fund.....	(131,511)	(131,534)	(131,534)	-
Total other financing sources (uses).....	347,959	(346,789)	(291,545)	55,244
Net change in fund balance.....	-	-	135,313	135,313
Fund Balance - Beginning of year.....	2,542,022	2,542,022	2,542,022	-
Fund Balance - End of year.....	\$ 2,542,022	2,542,022	2,677,335	135,313

The accompanying notes are an integral part of the financial statements

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - TIMUCUAN OAKS SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous:				
Investment earnings (loss).....	\$ 22	30	28	(2)
Contributions and donations.....	<u>70,000</u>	<u>7,500</u>	<u>2,500</u>	<u>(5,000)</u>
Total revenues.....	<u>70,022</u>	<u>7,530</u>	<u>2,528</u>	<u>(5,002)</u>
Expenditures:				
Culture/Recreation:				
Operating expenditures.....	7,040	10,739	10,828	(89)
Capital outlay.....	<u>132,900</u>	<u>48,055</u>	<u>72,483</u>	<u>(24,428)</u>
Total expenditures.....	<u>139,940</u>	<u>58,794</u>	<u>83,311</u>	<u>(24,517)</u>
Excess of revenue over (under) expenditures	<u>(69,918)</u>	<u>(51,264)</u>	<u>(80,783)</u>	<u>(29,519)</u>
Other Financing Sources (Uses):				
Operating transfer from General Fund.....	-	179,011	179,011	-
Operating transfer from Tree Fund.....	-	8,000	8,000	-
Appropriated fund balance.....	69,918	-	-	-
Appropriated for future use.....	<u>-</u>	<u>(135,747)</u>	<u>-</u>	<u>135,747</u>
Total other financing sources (uses).....	<u>69,918</u>	<u>51,264</u>	<u>187,011</u>	<u>135,747</u>
Net change in fund balance.....	-	-	106,228	106,228
Fund Balance - Beginning of year.....	<u>69,261</u>	<u>69,261</u>	<u>69,261</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 69,261</u>	<u>69,261</u>	<u>175,489</u>	<u>106,228</u>

The accompanying notes are an integral part of the financial statements.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - PUBLIC LAND ACQUISITION AND FACILITY
SPECIAL REVENUE FUND**
For the Year Ended September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes:				
Utility service taxes-electric.....	\$ 304,424	333,000	331,824	(1,176)
Utility service taxes-liquid propane.....	14,000	12,000	9,709	(2,291)
	<u>318,424</u>	<u>345,000</u>	<u>341,533</u>	<u>(3,467)</u>
Permits and fees:				
Franchise fees-solid waste.....	34,107	34,000	34,860	860
Miscellaneous Revenues:				
Investment earnings (loss).....	270	1,465	1,452	(13)
Total revenues.....	352,801	380,465	377,845	(2,620)
Capital Outlay:				
Land purchase.....	-	250,000	255,000	5,000
Total expenditures.....	-	250,000	255,000	5,000
Excess of revenue over (under) expenditures	352,801	130,465	122,845	(7,620)
Other Financing Sources (Uses):				
Operating transfer to Debt Service Fund.....	(328,340)	(328,105)	(328,105)	-
Appropriated fund balance.....	-	250,000	-	(250,000)
Appropriated for future use.....	(24,461)	(52,360)	-	52,360
Total other financing sources (uses).....	(352,801)	(130,465)	(328,105)	(197,640)
Net change in fund balance.....	-	-	(205,260)	(205,260)
Fund Balance - Beginning of year.....	696,231	696,231	696,231	-
Fund Balance - End of year.....	<u>696,231</u>	<u>696,231</u>	<u>490,971</u>	<u>(205,260)</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Refuse Utility	Totals
Assets:				
Current Assets:				
Cash and cash equivalents.....	\$ 710,548	62,268	2,888	775,704
Restricted cash and cash equivalents.....	80,947	-	-	80,947
Receivables, net:				
Accounts.....	15,030	11,119	2,696	28,845
Unbilled accounts.....	108,957	69,686	15,483	194,126
Prepaid expenses.....	<u>20,684</u>	<u>-</u>	<u>-</u>	<u>20,684</u>
Total current assets.....	<u>936,166</u>	<u>143,073</u>	<u>21,067</u>	<u>1,100,306</u>
Noncurrent Capital Assets:				
Land and land rights.....	4,033	-	-	4,033
Construction work in progress.....	165,413	-	-	165,413
Distribution system.....	3,031,716	-	-	3,031,716
General utilities equipment.....	<u>138,867</u>	<u>-</u>	<u>-</u>	<u>138,867</u>
	3,340,029	-	-	3,340,029
Less: accumulated depreciation.....	<u>(1,862,984)</u>	<u>-</u>	<u>-</u>	<u>(1,862,984)</u>
Total noncurrent capital assets.....	<u>1,477,045</u>	<u>-</u>	<u>-</u>	<u>1,477,045</u>
Total assets.....	<u>2,413,211</u>	<u>143,073</u>	<u>21,067</u>	<u>2,577,351</u>
Deferred Outflows on Pensions.....	<u>32,544</u>	<u>-</u>	<u>-</u>	<u>32,544</u>
Liabilities:				
Accounts payable and accrued expenses.....	80,732	136,529	12,228	229,489
Customer deposits.....	256,160	-	-	256,160
Other postemployment benefits.....	3,750	-	-	3,750
Net pension liability.....	146,193	-	-	146,193
Compensated absences.....	<u>34,602</u>	<u>-</u>	<u>-</u>	<u>34,602</u>
Total liabilities.....	<u>521,437</u>	<u>136,529</u>	<u>12,228</u>	<u>670,194</u>
Deferred Inflows on Pensions.....	<u>26,623</u>	<u>-</u>	<u>-</u>	<u>26,623</u>
Net Position:				
Invested in capital assets, net of related debt.....	1,477,045	-	-	1,477,045
Restricted for utility expansion.....	80,947	-	-	80,947
Unrestricted.....	<u>339,703</u>	<u>6,544</u>	<u>8,839</u>	<u>355,086</u>
Total net position.....	<u>\$ 1,897,695</u>	<u>6,544</u>	<u>8,839</u>	<u>1,913,078</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

For the Year Ended September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Refuse Utility	Totals
Operating Revenues:				
Charges For Services:				
Sales and connection fees.....	\$ 1,352,655	879,580	-	2,232,235
Port Orange's connection/impact fees.....	12,635	55,366	-	68,001
Other administrative charges.....	26,219	21,384	-	47,603
Refuse and recycling charges.....	-	-	173,139	173,139
Total operating revenue.....	<u>1,391,509</u>	<u>956,330</u>	<u>173,139</u>	<u>2,520,978</u>
Operating Expenses:				
Cost of sales.....	726,511	-	-	726,511
Personal services.....	314,608	-	-	314,608
Materials and supplies.....	44,149	-	-	44,149
Maintenance and repairs.....	26,883	-	-	26,883
Contractual services.....	34,185	879,580	148,643	1,062,408
Other expenses.....	15,457	-	-	15,457
Impact/connect fee payments to Port Orange.....	12,635	55,366	-	68,001
Depreciation.....	116,724	-	-	116,724
Total operating expenses.....	<u>1,291,152</u>	<u>934,946</u>	<u>148,643</u>	<u>2,374,741</u>
Operating income (loss).....	<u>100,357</u>	<u>21,384</u>	<u>24,496</u>	<u>146,237</u>
Nonoperating revenues (expenses):				
Investment earnings (loss).....	2,729	108	81	2,918
Miscellaneous revenue (expense).....	1,828	-	-	1,828
Net nonoperating revenue (expenses).....	<u>4,557</u>	<u>108</u>	<u>81</u>	<u>4,746</u>
Income (loss) before contributions and transfers.....	104,914	21,492	24,577	150,983
Capital contributions.....	7,126	-	-	7,126
Transfer to General Fund.....	-	(8,500)	(10,500)	(19,000)
Transfer to Debt Service Fund.....	-	(12,500)	(12,500)	(25,000)
Net increase (decrease) in net position.....	<u>112,040</u>	<u>492</u>	<u>1,577</u>	<u>114,109</u>
Net position - beginning of year (previously reported)	1,935,458	6,052	7,262	1,948,772
Change in accounting for pension costs.....	(149,803)	-	-	(149,803)
Net position - beginning of year (as restated).....	<u>1,785,655</u>	<u>6,052</u>	<u>7,262</u>	<u>1,798,969</u>
Net position - end of year.....	<u>\$ 1,897,695</u>	<u>6,544</u>	<u>8,839</u>	<u>1,913,078</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Refuse Utility	Totals
Cash Flows From Operating Activities:				
Cash received from customers and users.....	\$ 1,388,825	953,916	172,509	2,515,250
Cash paid for personal services.....	(350,615)	-	-	(350,615)
Cash paid to suppliers and others.....	<u>(855,742)</u>	<u>(940,915)</u>	<u>(148,381)</u>	<u>(1,945,038)</u>
Net cash provided by (used in) operating activities.....	<u>182,468</u>	<u>13,001</u>	<u>24,128</u>	<u>219,597</u>
Cash Flows From Noncapital and Related Financing Activities:				
Nonoperating revenues received.....	1,828	-	-	1,828
Operating transfers paid.....	<u>-</u>	<u>(21,000)</u>	<u>(23,000)</u>	<u>(44,000)</u>
Net cash provided by (used in) non- capital and related financing activities.....	<u>1,828</u>	<u>(21,000)</u>	<u>(23,000)</u>	<u>(42,172)</u>
Cash Flows From Capital and Related Financing Activities:				
Contributed capital received.....	19,761	-	-	19,761
Capital transfers to Port Orange.....	(12,635)	-	-	(12,635)
Acquisition of capital assets.....	<u>(101,795)</u>	<u>-</u>	<u>-</u>	<u>(101,795)</u>
Net cash provided by (used in) capital and related financing activities.....	<u>(94,669)</u>	<u>-</u>	<u>-</u>	<u>(94,669)</u>
Cash Flows From Investing Activities:				
Interest earnings received.....	2,729	108	81	2,918
Investment maturities.....	<u>250,088</u>	<u>18</u>	<u>18</u>	<u>250,124</u>
Net cash provided by (used in) investing activities.....	<u>252,817</u>	<u>126</u>	<u>99</u>	<u>253,042</u>
Net increase (decrease) in cash and cash equivalents.....	342,444	(7,873)	1,227	332,880
Cash and cash equivalents - Beginning of year.....	<u>449,051</u>	<u>70,141</u>	<u>1,661</u>	<u>520,853</u>
Cash and cash equivalents - End of year.....	<u>\$ 791,495</u>	<u>62,268</u>	<u>2,888</u>	<u>853,733</u>
Reconciliation of cash and cash equivalents:				
Unrestricted cash.....	\$ 710,548	62,268	2,888	775,704
Restricted cash.....	<u>80,947</u>	<u>-</u>	<u>-</u>	<u>80,947</u>
Total - all sources.....	<u>\$ 791,495</u>	<u>62,268</u>	<u>2,888</u>	<u>856,651</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS - (Continued)
PROPRIETARY FUNDS
For the Year Ended September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			Totals
	Water Utility	Sewer Utility	Refuse Utility	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss).....	\$ 100,357	21,384	24,496	146,237
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation.....	116,724	-	-	116,724
Amortization.....	(9,531)	-	-	(9,531)
Changes in assets and liabilities:				
Accounts receivable.....	7,498	(2,719)	(709)	4,070
Provisions for bad debt.....	477	305	79	861
Prepaid expenses.....	(8,557)	-	-	(8,557)
Accounts payable.....	(28,023)	(5,969)	262	(33,730)
Other post employment benefits	1,067	-	-	1,067
Compensated absences.....	480	-	-	480
Customer deposits.....	<u>1,976</u>	<u>-</u>	<u>-</u>	<u>1,976</u>
Net cash provided by operating activities.....	<u>\$ 182,468</u>	<u>13,001</u>	<u>24,128</u>	<u>219,597</u>

The accompanying notes are an integral part of the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Ponce Inlet, Florida (the “Town”), have been prepared in conformance with accounting principles generally accepted in the United States of America, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town’s significant accounting policies:

A. Reporting Entity

The Town of Ponce Inlet, Florida, is a municipal corporation created by the Laws of Florida, located in Volusia County. The Town was originally incorporated under the general laws of Florida in May 1963 under the provisions House Bill No. 1133 (amending Article 2, Section 4, of Chapter 63-1829, Laws of Florida, Special Acts of 1963), and the Municipal Home Rule Power Act, F.S. Ch. 166. The legislative branch of the Town is composed of an elected five-member Town Council consisting of the Mayor and four Council members. The Town Council is governed by the Town Charter and by state and local laws and regulations. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed Town Manager.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds controlled by or dependent on the Town. In evaluating the Town as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the Town’s financial statements.

Discretely Presented Component Unit. The “component unit” column in the basic financial statements includes the financial data of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc. (the “Lighthouse Association”). The financial statements of the Lighthouse Association are discretely reported in separate columns to emphasize that it is legally separate from the Town (primary government). The Lighthouse Association was created exclusively to manage the contribution of citizen efforts, services and resources in the development, restoration, improvement and operation of the Ponce DeLeon Inlet Lighthouse, a historical site owned by the Town of Ponce Inlet, under the terms of a maintenance agreement dated May 22, 1985.

The Lighthouse Association was created as a non-profit corporation and is exempt from income taxes under the provisions of Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). Under its corporate charter, the Lighthouse Association must devote at least 70% of its gross receipts to undertaking its stated purpose. Furthermore, the Town Council has the authority to disapprove any activity(ies) of the Lighthouse Association deemed not to be in harmony with the responsibilities of the Town and all Lighthouse Association assets revert to the Town upon its dissolution.

Complete financial statements of the component unit can be obtained directly from the Association’s administrative offices, which is as follows:

Administrative Office:
Ponce DeLeon Inlet Lighthouse Preservation Association, Inc.
4931 South Peninsula Drive
Ponce Inlet, FL 32127

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government and the discretely presented component unit. The primary government is reported in two columns to separately report governmental activities from business-type activities. Component unit data is aggregated into a single column. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. When applicable, those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange revenues are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of net position presents the overall government's financial position at year-end. The statement of activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net position for the period. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other nonexchange revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual business-type funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 3 months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. 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 and claims and judgments, are recorded only when payment is due.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

Property taxes, franchise fees, intergovernmental revenue, licenses and permits, charges for services, and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized and grouped into four classes, based on their principal characteristics. The accounting treatment for each type of transaction is as follows:

- **Derived Tax Revenue**, defined as assessments imposed on exchange transactions. Examples include: sales taxes, franchise tax, utility taxes, etc. Assets from derived tax revenue are recognized in the period when the exchange transaction on which the tax is imposed or when resources are received, whichever occurs first. Revenues are recognized, net of estimated uncollectible amounts, in the same period that the assets are recognized. Resources received in advance are recorded as deferred revenue until the period of the exchange.
- **Imposed Nonexchange Revenue**, result from assessments on nongovernmental entities, other than assessments on exchange transactions. Examples include: ad valorem (property) taxes, fines and penalties, and property forfeitures. Assets from imposed nonexchange revenues are recognized in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Property taxes are recognized in the period for which the taxes are levied. All other imposed nonexchange revenues are recognized in the same period that the assets are recognized.
- **Government-mandated Nonexchange Transactions**, frequently establish eligibility requirements before a transaction can occur. Examples include federal awards and state financial assistance. Until the requirements are met, the recipient does not have a receivable and the recognition of revenue received in advance is deferred. The providers (usually federal, state, and county governments) often offer resources on a reimbursement (“expenditure-driven”) basis at the time the recipient has incurred allowable costs under the applicable program.
- **Voluntary Nonexchange Transactions**, result from legislative or contractual agreements other than exchanges, entered into willingly by two or more parties. Examples include certain grants, entitlements, and donations by nongovernmental entities. Principal characteristics of these types of transactions are (1) they are not imposed on the provider or recipient, and (2) fulfillment of eligibility requirements is essential for a transaction to occur. Assets and revenues are recognized when all applicable eligibility requirements, including time requirements, are met. Resources received in advance are reported as deferred revenue.

Proprietary fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. Based on the accounting and reporting standards set forth in Government Accounting Standards Board Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*”, the Town has opted to apply only those accounting and reporting pronouncements issued by the GASB subsequent to November 30, 1989, as it pertains to the accounting for proprietary fund activity.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

The Town's accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The focus of the governmental and proprietary fund financial statements is on major funds, as defined and determined based on criteria established under Governmental Accounting Standards Boards Statement No. 34.

The Town reports the following major governmental funds:

- The **General Fund** is the principal fund of the Town which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Town other than proprietary fund activities are financed through revenues received by the General Fund.
- The **Timucuan Oaks Special Revenue Fund** is a special revenue fund established by the Town to separately account for the accumulation of resources from all operating grants, capital grants, and Town contributions which shall be expended on project related expenditures associated with the development of a Town park and recreation area.
- The **Public Land Acquisition and Facility Fund** is a special revenue fund established by the Town pursuant to Section 2-322 of the Town's Code of Ordinances to account for the accumulation of franchise fees on garbage services and public service taxes in the sale of electricity, metered natural gas, liquefied petroleum and manufactured gas which shall be expended on acquiring real estate and for the construction of public facilities.
- The **Debt Service Fund** is a debt service fund established by the Town to separately account for the resources accumulated and payments made for principal and interest on general long-term debt of the Town's governmental funds.

The Town reports the following major proprietary funds:

- The **Water Utility Fund** accounts for the costs and recovery of costs in the form of user charges related to the purchase and distribution of potable water within the Town. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges.
- The **Sewer Utility Fund** accounts for the activities of the Town's sewer utility system, which is owned and operated by the City of Port Orange. The costs of wastewater collection and pumping systems are recovered by user charges billed to customers by the Town pursuant to customer rate schedules established by Port Orange. All utility service amounts billed by the Town, and collected from its customers, are subsequently remitted to the City of Port Orange.
- The **Refuse Utility Fund** accounts for the activities of the Town's refuse collection system which provides the community with refuse and recycling services provided by third-party contracted vendors, the costs of which are recovered by user charges.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

Additionally, the Town reports the following fund types:

- ***Special Revenue Funds*** - are used to account for the proceeds of specific revenue sources (other than special assessments, or capital projects) which are legally restricted to finance particular functions or activities of the Town. These funds include the Tree Bank Fund, Sidewalks Fund, Parks and Recreation Fund, Police Education Fund and Contraband/Forfeitures Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund Town activities has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes (when applicable) and other charges between the Town's water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments, when applicable. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 Town's enterprise funds are charges to customers for utility sales and services. The Town recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the water system. Impact and connection fees are also assessed and collected from sewer customers which are remitted directly to the City of Port Orange to recover their costs connecting new customers to the sewer system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Town's investment policies are governed by state statutes and local ordinance. These policies authorize the Town to invest in the Local Government Surplus Funds Trust Fund, authorized intergovernmental investment pools, Securities and Exchange Commission registered money market

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

funds (with rating exceptions), interest-bearing savings accounts, interest bearing certificates of deposits, interest bearing time deposits and direct obligations of the U.S. Treasury.

All of the Town's investments are reported at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances," when applicable.

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled water, sewer and refuse accounts receivable are accrued by the Town at September 30th, to recognize the sales revenues earned between the last meter reading dates made in mid-September through the end of the fiscal year.

All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and Prepaid Items

The cost of stored fuel inventory is accounted for on the consumption basis wherein inventories are charged as expenditures when used, rather than when purchased. All inventories are valued at cost, which approximates market. The effect of this method is to flow the costs of the fuel in the order in which they are purchased and to assign a balance sheet inventory valuation more nearly at current replacement value. No required minimum levels of inventory are maintained.

All other inventories are valued at the lower of actual cost or market and consist of the merchandise held for sale in the Lighthouse Association gift shop (a discretely presented component unit).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

4. Restricted Assets

Certain proceeds from the imposition of the Town's impact fee requirements and from building permits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable legal indentures.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

5. Capital Assets

Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the Town. The Town has elected to report all known infrastructure assets and related depreciation expense on all infrastructure assets in the entity-wide statement of net position and statement of activities.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Infrastructure assets are capitalized when their costs exceed \$5,000 and possess useful lives of more than two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized if they meet the dollar threshold above for capitalization.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Proprietary fund capital assets that are constructed include construction period interest that is capitalized net of interest earned on unexpended construction funds and, therefore, depreciated over the remaining useful life of the related asset, when applicable.

Depreciation is provided for by utilization of the straight-line method calculated on a service-life basis to amortize the cost of the assets over their economic estimated useful lives which are as follows:

Buildings.....	15 - 40 years
Source of supply plant.....	25 - 50 years
Pumping plant.....	25 - 50 years
Water treatment plant.....	25 - 50 years
Transmission and distribution plant.....	25 - 50 years
Infrastructure.....	15 - 50 years
Equipment.....	3 - 25 years

6. Compensated Absences

The portion of payroll costs paid subsequent to year-end attributable to services performed prior to year-end, including accumulated unpaid vacation and sick-leave, is recorded and recognized as a current liability. The portion of the liability for compensated absences attributable to periods beyond the current year is recognized as a long-term liability. The General Fund and Water Utility Fund employ personnel and are responsible for liquidating compensated absence obligations.

It is the Town's policy to grant employees personal leave based upon the number of years of employment with the Town. Annual leave for full-time general employees accrues at the rate of 144 to 264 hours per year based on number of years of employment. Annual leave for part-time (20-39 hours per week) general employees accrues at the rate of 72 to 132 hours per year based on number of years of employment. Annual leave for firefighters accrues at the rate of 204 to 372 hours per year based on number of years of employment. A cumulative total of 480 hours (60 days) is the maximum personal leave which may be carried over to the next calendar year. Upon termination, without cause, all accrued annual leave is paid.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

7. *Unearned Revenue*

Unearned revenues are reported when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

8. *Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs, when incurred, are charged to expense in the fund receiving debt proceeds.

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources expense until then. The Town has one item that qualifies for reporting in this category. It is the deferred amount on defined benefit pension liabilities associated with the Florida Retirement System (FRS) and Florida Retirement System Health Insurance Subsidy (HIS). The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. A deferred amount on pension results from the recognition of the Town's proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to the pension plan. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liabilities in future reporting years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category. It is the deferred inflows on defined benefit pension contributions, earnings and other liabilities associated with the Florida Retirement System (FRS) and Florida Retirement System Health Insurance Subsidy (HIS) that qualify for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. *Pensions / Net Pension Liabilities*

In the financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting. In general, the Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the FRS defined benefit plan and the HIS defined benefit plan, and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

11. Fund Balance Flow Assumptions

Sometimes the entity will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund Balance Policies

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable. This classification 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. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted. This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation (i.e. when the government to assesses, levies, charges, or otherwise mandates payment of resources from external resource providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation). The Town has classified law enforcement forfeitures as being restricted because their use is restricted by State Statute for police investigative expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Building inspection fees are restricted by State Statute and County laws and are legally segregated for the funding of inspection services.

Committed. This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance)

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned. This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town Manager through the budgetary process, as is authorized under Part I, Article VI, Section 6.04(d) of the Town Charter.

Unassigned. This classification includes the residual fund balance for the General Fund and 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.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

13. Net Position

The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. Net investment in capital assets groups all capital assets into one component of net position; accumulated depreciation and the outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets reduce the balance in this category. Restricted net position includes all net position with external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position is the residual amount of net position of the Town that is not restricted for any particular purpose.

In 2009, The Town Council approved Resolution 2009-04, "Policy for Reserve/Contingency Level of Operating Budget (Policy). Under the Policy, a portion of the fund balance of the General Fund is committed for stabilization arrangements, such as might be needed in emergency situations or when revenue shortages or budgetary imbalances occur. The Policy states that, an amount equal to at least 3 months (25%) of the annual operating revenue of the General Fund is to be committed for use in covering current and future risks such as revenue shortfalls, natural disasters, unanticipated expenditures and to ensure stable tax rates. At September 30, 2015, \$1,362,890 of the fund balance for the General Fund was reported as committed for economic stabilization. The Policy recognizes that under extreme conditions, the use of resources may result in the committed fund balance amount dropping below the established threshold. Such amounts are required to be reinstated by the end of the subsequent fiscal year.

14. Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

E. New Accounting Standards

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 68, “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*” The provisions of this statement are effective for fiscal years beginning after June 15, 2014.

Statement No. 69, “*Government Combinations and Disposals of Government Operations.*” The provisions of this statement are effective for fiscal years beginning after December 15, 2013, which is the Town’s fiscal year 2015. The implementation of this statement had no significant effect on the Town’s financial statements.

Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment to GASB Statement No. 68.*” The provisions of this statement are effective for fiscal years beginning after June 15, 2014.

The following Governmental Accounting Standards Board (GASB) Statements will be implemented in future financial statements:

Statement N. 72, “*Fair Value Measurement and Application.*” The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.

Statement No. 73, “*Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.*” The provisions of this statement are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Pension Plans.*” The provisions of this statement are effective for fiscal years beginning after June 15, 2016.

Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans.*” The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

Statement No. 76, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*” The provisions of this statement are effective for reporting periods beginning after June 15, 2015.

Statement No. 77, “*Tax Abatement Disclosures.*” The provisions of this statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 78, “*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*” The provisions of this statement are effective for reporting periods beginning after December 15, 2015.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

Statement No. 79, “*Certain External Investment Pools and Pool Participants.*” The provisions of this statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015.

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

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net position

Following the governmental fund balance sheet is a reconciliation of the fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities

Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation of the 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. A detailed explanation of these differences is provided in this reconciliation.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The Town uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- On or before August 1st, the Town Manager submits a preliminary budget to the Town Council for the ensuing fiscal year.
- Budget workshop sessions are scheduled by the Town Council, as needed.
- A general summary of the budget and notice of public hearing is published in a local newspaper.
- Prior to October 1st, the budget is legally enacted through passage of an ordinance.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

- The Town Council, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Section 6.04 of the Town Charter. Prior to the end of the fiscal year, supplemental appropriations are typically made for unanticipated spending requirements by the Council.
- The Town Council must approve all inter-departmental budget amendments and/or appropriations transfers. The Town Manager is authorized to approve all intra-department budget amendments.
- Budgetary control is exercised at the fund level.
- Every appropriation lapses at the close of the fiscal year.

B. Excess of Expenditures over Appropriations

During the year ended September 30, 2015, expenditures were incurred in excess of budgetary appropriations in the Timucuan Oaks special revenue fund in the amount of \$89 and the nonmajor Tree Bank special revenue fund in the amount of \$5,906, in both instances amounts were funded in its entirety from prior year surplus funds.

NOTE 4 - PROPERTY TAX CALENDAR

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The ad valorem millage rate assessed by the Town (2014 levy) was 6.1536 mills. Collections on this levy were received during the year ended September 30, 2015. The Town's property tax calendar is as follows:

Assessment Roll Valuation Date	January 1
Property Appraiser prepares the assessment roll with values as of January 1, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1
Town Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September
Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).	November 1
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November through March, with the following applicable discounts:	November 1

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

<u>Month Paid</u>	<u>Discount</u>
November	4%
December	3%
January	2%
February	1%
March	None

All unpaid taxes on real/tangible personal property become delinquent.	April 1
Listings of unpaid real and personal property taxes are advertised.	April/May
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).	June 1
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes	August

NOTE 5 - DEPOSITS AND INVESTMENTS

Deposits. At September 30, 2015, the carrying value of the Town’s cash deposit accounts totaled \$2,881,424 and the bank balance totaled \$2,911,565. Cash deposits and certificates of deposit totaling \$1,248,014, are held by banks that are fully insured and/or collateralized at September 30, 2015, as required by Chapter 280, Florida Statutes. Amounts do not include \$620 in cash funds on hand at the end of the fiscal year.

At September 30, 2015, the carrying value of the Lighthouse Association’s bank deposits totaled \$368,684. The bank balances for these deposits totaled \$368,684, all of which was insured and/or collateralized by the Federal Deposit Insurance Corporation. In addition, the Lighthouse Association holds \$587,623 in certificates of deposit, all of which are FDIC insured and \$150,188 are restricted.

Investments. As of September 30, 2015, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>	
		<u>Less Than 1</u>	<u>From 1 - 5</u>
Certificates of deposit:			
Florida Qualified Public Depositories.....	\$ 750,014	250,000	500,014
Custodial and Non-Florida Depositories.....	498,000	498,000	-
Total certificates of deposit - primary government.....	1,248,014	748,000	500,014
Lighthouse Association - component unit.....	587,623	-	587,623
Total Certificates of Deposits.....	<u>\$ 1,835,637</u>	<u>748,000</u>	<u>1,087,637</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

The Town's investments consist of amounts invested in certificates of deposit.

The Lighthouse Association's investments consist of amounts invested in certificates of deposit with average maturities of 15 to 21 months.

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Town has developed formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments are governed by the Town's Investment Policies and related state statutes. Generally, the Town limits the acquisition of investments with maturities of greater than twenty-four months, unless such investments are purchased for holding to maturity. Interest rate risk is minimized for all other investments, which are normally held for periods of less than one year.

GASB 40, "*Deposit and Investment Risk Disclosures*," requires that interest rate risk be disclosed using one of the five approved methods for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a-7 like pool. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation model. Different methods may be presented for different types of investments.

Credit Risk. The Town's investment policies allow the government to invest in Local Government Surplus Trust Fund Investment Pool, United States Government Securities, United States Government Agencies, federal instrumentalities, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local governmental taxable and/or tax-exempt debt, registered investment companies (money market and mutual funds), and authorized intergovernmental investment pools.

Concentrations of Credit Risk. The Town's investment policies place limits on portfolio composition, individual issuers and maturity limitations, all of which vary for each allowable investment type. Supplemental due diligence requirements have been established that must be met prior to investing with registered investment companies and intergovernmental investment pools.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a failure of a depository, the Town's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State's Chief Financial Officer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State's Chief Financial Officer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Chief Financial Officer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State Chief Financial Officer.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

NOTE 6 – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables: Amounts are aggregated into single accounts receivable (net of allowance for uncollectible accounts) lines for certain funds and aggregated columns. Below is a detail of receivables for the governmental and business-type activities anticipated to be collected within an operating cycle:

Receivables, net	Primary Government			Component Unit
	Government Activities	Business Type Activities	Total	Lighthouse
Accounts receivable.....	\$ 101,663	31,606	133,269	-
Delinquent taxes receivable.....	7,797	-	7,797	-
Unbilled accounts receivable.....	-	194,126	194,126	-
Due from other governments.....	<u>91,609</u>	<u>-</u>	<u>91,609</u>	<u>-</u>
	201,069	225,732	426,801	-
Less: allowance for doubtful accounts....	<u>(7,797)</u>	<u>(2,761)</u>	<u>(10,558)</u>	<u>-</u>
Net receivables.....	<u>\$ 193,272</u>	<u>222,971</u>	<u>416,243</u>	<u>-</u>

Payables: Amounts are aggregated into single accounts payable and accrued liability lines for certain funds and aggregated columns. Below is a detail of payables for the governmental and business-type activities anticipated to be paid within an operating cycle:

Accounts Payable/Accrued Liabilities	Primary Government			Component Unit
	Government Activities	Business Type Activities	Total	Lighthouse
Accounts payable.....	\$ 196,207	84,752	280,959	54,941
Accrued wages.....	67,945	7,508	75,453	-
Accrued employee benefits.....	10,640	700	11,340	-
Due to other governments.....	<u>-</u>	<u>136,529</u>	<u>136,529</u>	<u>-</u>
Net payables.....	<u>\$ 274,792</u>	<u>229,489</u>	<u>504,281</u>	<u>54,941</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund Transfers - Transfers occur to move revenues from various funds to debt service funds as debt service principal and interest payments become due and to move funds to finance various programs, provide grant matching funds, or to subsidize operations that the Town must account for in other funds in accordance with budgetary authorizations. Interfund transfers between the Town’s governmental and business-type funds during the fiscal year ended September 30, 2015, are as follows:

	Transfer <u>From</u>	Transfer <u>To</u>
Governmental Activities:		
General Fund:		
Debt Service Fund.....	\$ -	131,534
Timucuan Oaks Special Revenue Fund	-	179,011
Sewer Utility Fund.....	8,500	-
Refuse Utility Fund.....	10,500	-
Debt Service Fund:		
General Fund.....	131,534	-
Public Land Acquisition and Facility Fund.....	328,105	-
Sewer Utility Fund.....	12,500	-
Refuse Utility Fund.....	12,500	-
Timucuan Oaks Special Revenue Fund:		
General Fund.....	179,011	-
Tree Bank Special Revenue Fund.....	8,000	-
Public Land Acquisition and Facility Fund:		
Debt Service Fund.....	-	328,105
Nonmajor Funds:		
Tree Bank Special Revenue Fund:		
Timucuan Oaks Special Revenue Fund	-	8,000
	<u>690,650</u>	<u>646,650</u>
		<u>44,000</u>
Business-type Activities:		
Sewer Utility Fund:		
General Fund.....	-	8,500
Debt Service Fund.....	-	12,500
Refuse Utility Fund:		
General Fund.....	-	10,500
Debt Service Fund.....	<u>-</u>	<u>12,500</u>
	<u>-</u>	<u>44,000</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities

The following is a summary of changes in capital assets during the year:

	<u>Balances</u> 9/30/2014	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 9/30/2015
Capital assets, not being depreciated,				
Land.....	\$ 4,569,460	255,000	-	4,824,460
Construction in progress.....	<u>-</u>	<u>79,072</u>	<u>-</u>	<u>79,072</u>
	<u>4,569,460</u>	<u>334,072</u>	<u>-</u>	<u>4,903,532</u>
Capital assets, being depreciated,				
Buildings.....	5,410,304	21,515	-	5,431,819
Improvements other than buildings.....	4,710,524	42,033	(5,454)	4,747,103
Equipment and furniture.....	<u>2,465,555</u>	<u>145,972</u>	<u>(92,949)</u>	<u>2,518,578</u>
	12,586,383	209,520	(98,403)	12,697,500
Less: accumulated depreciation.....	<u>(4,225,637)</u>	<u>(543,034)</u>	<u>98,403</u>	<u>(4,670,268)</u>
	<u>8,360,746</u>	<u>(333,514)</u>	<u>-</u>	<u>8,027,232</u>
Net capital assets.....	<u>\$ 12,930,206</u>	<u>558</u>	<u>-</u>	<u>12,930,764</u>

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

Governmental activities:

General government.....	\$ 155,487
Public safety.....	138,411
Physical environment.....	87,644
Transportation.....	57,541
Culture/recreation.....	<u>103,951</u>

Total depreciation expense..... \$ 543,034

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

B. Business-Type Activities

The following is a summary of changes in capital assets during the year:

	Balances 9/30/2014	Additions	Deletions	Balances 9/30/2015
Capital assets, not being depreciated,				
Land.....	\$ 4,033	-	-	4,033
Construction in progress.....	<u>82,232</u>	<u>83,181</u>	-	<u>165,413</u>
	<u>86,265</u>	<u>83,181</u>	-	<u>169,446</u>
Capital assets, being depreciated,				
Improvements other than buildings.....	3,150,069	-	(118,353)	3,031,716
Equipment and furniture.....	<u>148,335</u>	<u>18,614</u>	<u>(28,082)</u>	<u>138,867</u>
	3,298,404	18,614	(146,435)	3,170,583
Less: accumulated depreciation.....	<u>(1,892,695)</u>	<u>(116,724)</u>	<u>146,435</u>	<u>(1,862,984)</u>
	<u>1,405,709</u>	<u>(98,110)</u>	-	<u>1,307,599</u>
Net capital assets.....	<u>\$ 1,491,974</u>	<u>(14,929)</u>	-	<u>1,477,045</u>

There was no capitalized interest on outstanding tax-exempt debt obligations charged to completed and uncompleted projects during the year. There was no interest earnings recognized from the temporary investment of tax-exempt debt proceeds during the year. Depreciation expense for the year ended September 30, 2015 totaled \$116,724.

C. Discretely Presented Component Unit – Lighthouse Association

The following is a summary of changes in capital assets during the year:

	9/30/2014	Additions	Deletions	9/30/2015
Capital assets, not being depreciated,				
Land.....	\$ 407,450	-	-	407,450
Museum artifact collection.....	<u>819,103</u>	<u>65,878</u>	-	<u>884,981</u>
	<u>1,226,553</u>	<u>65,878</u>	-	<u>1,292,431</u>
Capital assets, being depreciated,				
Restoration and improvements.....	2,812,689	126,397	-	2,939,086
Equipment and furniture.....	<u>299,713</u>	<u>15,162</u>	<u>(36,364)</u>	<u>278,511</u>
	3,112,402	141,559	(36,364)	3,217,597
Less: accumulated depreciation.....	<u>(1,333,421)</u>	<u>(91,416)</u>	<u>33,493</u>	<u>(1,391,344)</u>
	<u>1,778,981</u>	<u>50,143</u>	<u>(2,871)</u>	<u>1,826,253</u>
Net capital assets.....	<u>\$ 3,005,534</u>	<u>116,021</u>	<u>(2,871)</u>	<u>3,118,684</u>

Depreciation expense for the year ended September 30, 2015 totaled \$91,416.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

NOTE 9 - LEASE INCOME

The Town entered into an operating lease agreement to lease a portion of its real property for the construction of a cellular telephone tower. This lease was dated February 9, 2000, and had an initial term of five years, with four successive five-year renewal options. The second of the four successive five-year renewals was exercised in 2010, and will expire in 2015. The lease provides for annual rentals of \$18,648 throughout the second five-year extension period ending in 2015, \$20,793 for the third five-year extension period ending in 2020, and \$23,184 for the fourth five-year extension period ending 2025. This agreement shall continue in force for one-year periods if the agreement has not been terminated at the end of the fourth five-year extension, with rentals equal to that of the final five-year extension term. Lease revenue totaled \$20,793 for the year ended September 30, 2015. There was no revenue from subleases or assignments. Future minimum rentals to be received over the noncancelable remaining term of the lease are as follows: 2016 - \$20,793.

NOTE 10 - OPERATING LEASES

The Town leases equipment under operating leases and with the exception of the non-cancelable operating lease listed below, these leases have cancellation provisions and are subject to annual appropriations. For the year ended September 30, 2015, lease expenditures totaled \$13,944 for all types of leases.

Non-cancelable Lease. The Town leases office equipment under an agreement with an original term of five years, which is scheduled to expire in January, 2017. The minimum lease payments under this lease agreement are as follows: 2016- \$8,180; and 2017- \$2,045.

NOTE 11 - LONG-TERM DEBT

The Town's long-term debt is comprised of the following at September 30, 2015:

A. Primary Government – Governmental Activities

Capital Improvement Revenue Note, Series 2005

In April 2005, the Town issued a Capital Improvement Revenue Note, Series 2005, which was originally issued for \$4,030,000 and is payable through July 2025. Proceeds from the note were used to finance the acquisition of real property and for related capital improvements. The note is secured by a pledge of the Town's electric and liquid propane utility tax, solid waste franchise fee, and the Florida Power and Light franchise fee. The note bears interest at a fixed rate of 4.11% and is payable semi-annually on January 1 and July 1 through maturity on July 1, 2025. Principal payments are due annually on July 1 through maturity on July 1, 2025. The balance due on this obligation at September 30, 2015 totaled \$2,647,957. Current maturities due on this obligation totaled \$219,000 at September 30, 2015.

The total remaining principal and interest to be paid on the note totals \$3,400,048. During the current year, electric and liquid propane utility tax, solid waste franchise fee, and the Florida Power and Light franchise fee revenue was \$608,574, compared to annual debt requirements of \$325,946.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

Clean Water State Revolving Fund Loan

In October 2004, the Town entered into a state revolving fund loan agreement with the State of Florida Department of Environmental Protection to finance the planning, design, and construction of stormwater pollution control facilities. The loan is secured by specific pledged revenues which include the Town’s cell tower lease revenue, one to six cents local option fuel taxes, telecommunications excise taxes and a pledged annual transfer of \$25,000 from the utility enterprise fund. The original loan bears interest at 2.95% per annum for the first disbursement of \$96,559, 2.65% per annum for the first loan amendment disbursement of \$1,668,216, and 2.57% for the second loan amendment disbursement of \$303,500 and 2.62% for the third loan amendment disbursement of \$303,500. The loan is payable in semiannual payments due in March and September and becomes due in September 2026. The aggregate balance due on this obligation at September 30, 2015 was \$1,485,759. Current maturities due on this obligation totaled \$118,010 at September 30, 2015.

The total remaining principal and interest to be paid on the loan totals \$1,722,443. During the current year, the pledged revenues identified above totaled \$362,213, compared to annual debt requirements of \$156,586.

Loan Restrictions and Covenants - Pursuant to Sections 3.01 and 6.01 of the Loan Agreement, the Town is required to make Monthly Loan Deposits to the Loan Debt Service Account equal to one-sixth of the next succeeding semi-annual interest and principal payments. In the event of a failure to make the Monthly Loan Deposits, the Town is required to promptly notify the State of Florida Department of Environmental Protection of any such failure. During the year ended September 30, 2015, the Town made all the mandatory transfers on a timely basis, transferring the equivalent of the whole year’s transfer in October 2014.

Changes in Long-Term Debt

A summary of changes in the Town’s governmental activities long-term debt for the year is as follows:

	<u>Balances</u> <u>9/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>9/30/2015</u>
Notes payable:				
Capital Improvement Revenue Note, Series 2005.....	\$ 2,858,957	-	(211,000)	2,647,957
Florida Department of Environmental Protection State Revolving Fund Loan.....	<u>1,600,706</u>	-	<u>(114,946)</u>	<u>1,485,760</u>
	4,459,663	-	(325,946)	4,133,717
Compensated absences.....	<u>269,917</u>	<u>80,975</u>	<u>(92,233)</u>	<u>258,659</u>
Total long-term debt.....	<u><u>4,729,580</u></u>	<u><u>80,975</u></u>	<u><u>(418,179)</u></u>	4,392,376
Less: current maturities.....				<u>(337,010)</u>
Net long-term debt.....				<u>\$ 4,055,366</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

Debt Service to Maturity

Aggregate debt service requirements to maturity on long-term debt obligations are as follows:

Fiscal Year Ended September 30,	Capital Improvement Note Series 2005		FDEP State Revolving Fund Loan		Total
	Principal	Interest	Principal	Interest	
2016.....	219,000	108,833	118,010	38,575	484,418
2017.....	229,000	99,832	121,156	35,429	485,417
2018.....	238,000	90,420	124,386	32,200	485,006
2019.....	248,000	80,638	127,702	28,883	485,223
2020-2024.....	1,399,000	241,874	691,434	91,495	2,423,803
2025-2026.....	<u>314,957</u>	<u>12,947</u>	<u>303,072</u>	<u>10,102</u>	<u>641,078</u>
Total - all periods.....	<u>\$ 2,647,957</u>	<u>634,544</u>	<u>1,485,760</u>	<u>236,684</u>	<u>5,004,945</u>

B. Primary Government – Business-Type Activities

The Town has no formal long-term debt obligations for business-type activities as of September 30, 2015. However, the Town provides for the recognition of compensated absences within the department which an employee serves.

Changes in Long-Term Debt

A summary of changes in the Town’s business-type activities long-term debt for the year is as follows:

	Balances 9/30/2014	Additions	Deletions	Balances 9/30/2015
Compensated absences.....	<u>34,122</u>	<u>10,237</u>	<u>(9,757)</u>	<u>34,602</u>
Total long-term debt.....	<u>34,122</u>	<u>10,237</u>	<u>(9,757)</u>	34,602
Less: current maturities.....				<u>-</u>
Net long-term debt.....				<u>\$ 34,602</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

NOTE 12 – NET POSITION

The following table contains the individual components of the reported fund balance classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used at September 30, 2015:

Fund Balances	Major Funds					Total
	General Fund	Timucuan Oaks Fund	Public Land Acquisition and Facility Fund	Debt Service Fund	Nonmajor Funds	
Nonspendable:						
Inventories.....	\$ 5,387	-	-	-	-	5,387
Prepays.....	263,081	-	-	-	-	263,081
Restricted:						
Public safety.....	40,113	-	-	-	17,566	57,679
Debt service.....	-	-	-	4,417	-	4,417
Transportation gas tax.....	123,509	-	-	-	-	123,509
Committed:						
Operating reserve.....	1,362,890	-	-	-	-	1,362,890
Public Land Acquisitions..	-	-	490,971	-	-	490,971
Assigned:						
General government.....	100	-	-	-	-	100
Public safety.....	2,464	-	-	-	-	2,464
Emergency relief.....	100,000	-	-	-	-	100,000
Recreation.....	<u>15,918</u>	<u>175,489</u>	<u>-</u>	<u>-</u>	<u>53,719</u>	<u>245,126</u>
Unassigned.....	<u>763,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>763,873</u>
	<u>\$ 2,677,335</u>	<u>175,489</u>	<u>490,971</u>	<u>4,417</u>	<u>71,285</u>	<u>3,419,497</u>

NOTE 13 – EMPLOYEES’ PENSION PLANS

1. Florida Retirement System (FRS) (Defined Benefit Pension Plan)

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

Essentially, membership in the State-administered FRS and HIS plans is limited to those remaining regular employees of the Town who were employed before January 1, 1996, at which time active membership in these plans was terminated for new employees hired after December 31, 1995. Provisions

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The Town's general classes of membership available are as follows:

- Regular Class - Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) - Members in senior management level positions.
- Special Risk Class - Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, emergency medical technicians and paramedics that meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class members initially enrolled before July 1, 2011:</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011:</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Class</i>	
Service from Dec. 1, 1970 through Sept. 30, 1974	2.00
Service on and after Oct. 1, 1974	3.00

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

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

<u>Class</u>	<u>Percent of Gross Salary</u>		
	<u>Employee</u>	<u>Employer (1)</u>	
		<u>Pre 7/01/15</u>	<u>Post 6/30/15</u>
FRS, Regular	3.00	7.37	7.26
FRS, Senior Management Service	3.00	21.14	21.43
FRS, Special Risk	3.00	19.82	22.04
DROP - Applicable to Members of the Above Class	0.00	12.28	12.88
FRS, Reemployed Retiree		(2)	(2)

Notes: (1) Employer rates include 1.26 percent and 1.66 percent for the postemployment health insurance subsidy for Pre 7/1/15 and Post 6/30/15, respectively. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

The Town’s contributions, including employee contributions, to the FRS Plan totaled \$318,409 for the fiscal year ended September 30, 2015. This excludes employee contributions of \$67,033, HIS defined benefit pension plan contributions of \$31,725 and FRS Investment Plan contributions of \$894.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the Town reported a liability of \$1,436,372 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town’s proportionate share of the net pension liability was based on the Town’s 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members based on a June 30, 2015 fiscal year. At June 30, 2015, the Town’s proportionate share was 0.011120579 percent, which was down 0.00052121 percent from its proportionate share measured as of June 30, 2014 of 0.010599369 percent.

For the fiscal year ended September 30, 2015, the Town recognized Plan pension expense of \$110,040. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 151,638	34,066
Changes in assumptions	95,337	-
Net difference between projected and actual earnings on FRS pension plan investments	-	342,982
Changes in proportion and differences between FRS contributions and proportionate share of contributions	68,405	23,904
Contributions subsequent to the measurement date	<u>81,229</u>	<u>-</u>
Total	<u>\$ 396,609</u>	<u>400,952</u>

The deferred outflows of resources related to pensions, totaling \$81,229, resulting from the Town’s contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (103,090)
2017	(103,090)
2018	(103,090)
2019	166,616
2020	44,467
Thereafter	<u>12,615</u>
	<u>\$ (85,572)</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

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

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Annual (Geometric) Return</u>	<u>Standard 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>	6.70%	6.10%	11.40%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		1.90%

Note: (1) As outlined in the Plan's Investment Policy

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

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
The Town's proportionate share of the net pension liability (0.011120579%)	\$3,721,965	\$1,436,372	\$ (465,616)

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

Payable to the FRS Pension Plan. The Town had no amounts payable to the FRS Plan for outstanding contributions at September 30, 2015.

2. HIS Pension Plan (Defined Benefit Pension Plan)

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

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

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution rate for the period from October 1, 2014 through June 30, 2015, and from July 1, 2015 through September 30, 2015, was 1.20% and 1.26%, respectively, of payroll pursuant to section 112.363, Florida Statutes. The Town contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Town's contributions to the HIS Plan totaled \$31,725 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At September 30, 2015, the Town reported a net pension liability of \$765,327 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Town's proportionate share of the net pension liability was based on the Town's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

members. At June 30, 2015, the Town’s proportionate share was 0.007504364 percent, which was up 0.000176981 percent from its proportionate share measured as of June 30, 2014, of 0.007327383 percent.

For the fiscal year ended September 30, 2015, the Town recognized the Plan pension expense of \$60,907. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 60,211	-
Net difference between projected and actual earnings on HIS pension plan investments	414	-
Changes in proportion and differences between HIS contributions and proportionate share of contributions	22,445	-
Contributions subsequent to the measurement date	<u>10,459</u>	<u>-</u>
Total	<u>\$ 93,529</u>	<u>-</u>

The deferred outflows of resources related to pensions, totaling \$10,459, resulting from the Town’s contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 14,359
2017	14,359
2018	14,360
2019	14,276
2020	14,235
Thereafter	<u>11,481</u>
	<u>\$ 83,070</u>

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	3.80 percent

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

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

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

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

	1% Decrease <u>(2.80%)</u>	Current Discount Rate <u>(3.80%)</u>	1% Increase <u>(4.80%)</u>
The Town's proportionate share of the net pension liability (0.007504364%)	\$ 872,055	\$ 765,327	\$ 676,332

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

Payable to the HIS Pension Plan. The Town had no amounts payable to the HIS Plan for outstanding contributions at September 30, 2015.

3. FRS Investment Plan (Defined Contribution Pension Plan)

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

As provided in Section 121.450 I, Florida Statutes, eligible FRS members may elect to participate in the FRS Investment Plan in lieu of the FRS defined-benefit plans. The Town's employees participating in DROP are not eligible to participate in the FRS Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the FRS Investment Plan are established and may be amended by the Florida Legislature. The FRS Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Special Risk, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employer (1)</u>	
	<u>Pre 7/01/15</u>	<u>Post 6/30/15</u>
FRS, Regular	6.30	6.30
FRS, Senior Management Service	7.67	7.67
FRS, Special Class	14.00	14.00

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

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

The Town's FRS Investment Plan pension expense totaled \$894 for the fiscal year ended September 30, 2015.

Payable to the FRS Investment Plan. The Town had no amounts payable to the FRS Investment Plan for outstanding contributions at September 30, 2015.

4. Defined Contribution Plans - General Employees

Florida Municipal Pension Trust Fund (the "FMPTF") - The Town contributes to the Florida Municipal Trust Fund, which provides for an Internal Revenue Code Section 401(a) defined contribution and a 457(b) deferred compensation plan for employer and employee contributions, respectively. These plans are administered by Florida League of Cities, Inc., P. O. Box 1757, Tallahassee, FL 32302-1757, under Section 2-221 of the Town's Code of Ordinances, the Town established this plan for all regular full time and regular part time employees, except police officers and firefighters.

The Town, as the sponsoring employer, is responsible for defining and amending pension benefit terms, provisions and contribution requirements for the plan. On August 15, 2007, the Town Council adopted

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

Ordinance 2007-20, amending the pension plan for general employees to allow for the conversion to the Florida Retirement System, effective October 1, 2007. As a result of these actions, twenty-two employees opted to withdraw from the above described retirement plan options and convert to the Florida Retirement System. Seven employees remained in the Plan. No new employees will be eligible for entry in the 401(a) plan after October 1, 2007. For each employee in the plan, the Town is required to contribute 10% of the gross employee wages. Employees are permitted to make contributions to the 457(b) pension plan, up to applicable Internal Revenue Code limits. For the year ended September 30, 2015, employee contributions totaled \$2,307 and the Town recognized pension expense of \$4,256.

All qualifying employees, with no age requirement, are eligible to participate in the plan immediately upon the date of employment. Employees immediately vest in the elective deferral contributions made to the Plan. The vested portions of the accounts or contributions to the plan are available to the participants immediately upon termination of service. Employees do not vest in employer contributions to the plan until after participating for 5 full years in the plan, at which time employees are 100% vested in the plan.

International City Management Association Retirement Corporation (the “ICMA”) - The Town provides its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b) and Section 2-291 of the Town’s Code of Ordinances. The plan is administered by the International City Managers Association Retirement Corporation, 777 North Capitol Street, NE, Suite 600, Washington, DC 20002. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended September 30, 2015, employee contributions totaled \$10,640 and the Town recognized pension expense of \$-0-.

All qualified employees at least 18 years of age become eligible to participate in the 457(b) plan on the first date of the month following the date of employment. Employees voluntarily contribute to the plan. Employees immediately vest in the elective deferral contributions made to the 457(b) plan. The vested portions of the accounts or contributions to the plan are available to the participants immediately upon termination of service.

Nationwide Retirement Solutions – The Town provides its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b) and Section 2-291 of the Town’s Code of Ordinances. This plan is administered by Nationwide Retirement Solutions, P. O. Box 182797, Columbus, OH 43218-2797. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended September 30, 2015, employee contributions totaled \$30,895 and the Town recognized pension expense of \$-0-.

All qualified employees at least 18 years of age become eligible to participate in the 457(b) plan on the first date of the month following the date of employment. Employees voluntarily contribute to the plan. Employees immediately vest in the elective deferral contributions made to the 457(b) Plan. The vested portions of the accounts or contributions to the plan are available to the participants immediately upon termination of service.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. Town of Ponce Inlet, Florida, Other Postemployment Benefits Plan (the “OPEB Plan”) is a single-employer healthcare plan administered by the Town. Pursuant to Section 112.0801, Florida Statutes, the Town is required to permit participation in the OPEB Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

employees. Eligible individuals include all regular employees of the Town who retire from active service under one of the pension plans sponsored by the Town. Under certain conditions, eligible individuals also include spouses and dependent children. The OPEB Plan does not issue a publicly available financial report.

Funding Policy. The contribution requirements of plan members and the Town are based on composite health insurance premium costs which are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The Town has opted to not fund the net OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the Plan based on a the most recent actuarial valuation dated October 1, 2013:

	<u>09/30/2015</u>
Annual required contribution (ARC).....	\$ 17,640
Interest on prior Net OPEB obligation.....	718
Prior Net OPEB obligation adjustment.....	<u>(985)</u>
Annual OPEB cost (expense).....	17,373
Estimated net contributions made.....	<u>(5,620)</u>
Increase in net OPEB obligation.....	11,753
Net OPEB obligation-beginning of year.....	<u>27,698</u>
Net OPEB obligation-end of year.....	<u>\$ 39,451</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	Annual OPEB <u>Cost</u>	Actual <u>Contribution</u>	Percent of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
09/30/15	\$17,373	\$ 5,620	32.3%	\$ 39,451
09/30/14	17,373	5,620	32.3%	27,698
09/30/13	13,367	8,037	60.1%	15,945

Funded Status and Funding Progress. Based on the October 1, 2013 actuarial valuation, the funded status of the OPEB Plan was as follows:

Actuarial accrued liability (AAL).....	\$ 93,620
Actuarial value of plan assets.....	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

Unfunded actuarial accrued liability (UAAL)	<u>\$ 93,620</u>
Funded ratio (actuarial value of plan assets/AAL).....	0.00%
Covered payroll (annual payroll of active employees covered by the plan).....	\$ 1,903,651
UAAL as a percentage of covered payroll	4.9%

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, mortality, and the healthcare cost trend. 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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the October 1, 2013 actuarial valuation, the Entry Age Normal Cost Method was used. The actuarial assumptions included a 4.5% funding interest rate, an annual (pre- and post-Medicare) healthcare cost trend rate of 7.5% percent in 2014, reduced by 1% annual decreases to an ultimate rate of 6.5% in 2015. If, and when, funded, the actuarial value of assets will be determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll (closed amortization over 30 years) with payroll growth/inflation assumed to be 0.0%.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

NOTE 16 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2015

TOWN OF PONCE INLET, FLORIDA

NOTE 17 – LEGAL MATTERS

The Town has been named as a defendant in a lawsuit and resultant claim regarding alleged damages from land use decisions made by the Town Council. On November 17, 2014, the 7th Judicial Court of Volusia County issued an amended final judgment against the Town, in the amount of \$30,775,249.29. In addition to this amount, the Court has reserved jurisdiction to professional fees and costs against the Town. The award also addresses and has included post judgment interest in accordance with Florida Statutes and is currently at 4.75% per annum. Subsequent, to this judgment, the Town has filed an appeal which it intends to vigorously pursue alleging significant misinterpretation and misapplications of existing laws. At this stage, management believes it is impracticable to determine whether the likelihood of an unfavorable outcome is either probable or remote, since the results of the appeal could drastically affect that analysis. Claims resulting from litigation that are only reasonably possible to estimate are not accrued in the financial statements.

The Town is also from time to time engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Counsel to the Town, no other legal proceedings are pending or threatened which may materially affect the financial condition of the Town.

NOTE 18 – SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through May 11, 2016, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT OBLIGATION
For the Year Ended September 30, 2015
TOWN OF PONCE INLET, FLORIDA

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2013	\$ -	\$ 93,620	\$ 93,620	0.00%	\$ 1,903,651	4.9%
10/1/2012	n/a	n/a	n/a	n/a	n/a	n/a
10/1/2011	n/a	n/a	n/a	n/a	n/a	n/a
10/1/2010	\$ -	\$ 87,235	\$ 87,235	0.00%	\$ 1,748,392	5.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Other Contribution</u>	<u>Percent Contributed</u>
9/30/2015	\$ 17,373	\$ 5,620	\$ -	32.35%
9/30/2014	\$ 17,373	\$ 5,620	\$ -	32.35%
9/30/2013	\$ 13,367	\$ 8,037	\$ -	60.13%

REQUIRED SUPPLEMENTARY INFORMATION
FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN
TOWN OF PONCE INLET, FLORIDA

	2015	2014	2013
Schedule of the Proportionate Share of the Net Pension Liability:			
Town proportion of the net pension liability	0.011120579%	0.010599369%	n/a
Town proportionate share of the net pension liability	\$ 1,436,372	\$ 646,717	n/a
Town covered employee payroll	\$ 2,317,860	\$ 2,186,188	n/a
Town proportionate share of the net pension liability as a percentage of covered payroll	61.97%	29.58%	n/a
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	n/a

Schedule of Contributions:

Contractually required contribution	\$ 318,409	\$ 285,945	n/a
Contributions in relation to the contractually required contribution	<u>\$ (318,409)</u>	<u>\$ (285,945)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	n/a
Town covered employee payroll	\$ 2,317,860	\$ 2,186,188	n/a
Contributions as a percentage of covered employee payroll	13.74%	13.08%	n/a

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) *Changes of Assumptions* . As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate return decreased from 7.75 percent to 7.65 percent.

REQUIRED SUPPLEMENTARY INFORMATION
FRS HEALTH INSURANCE SUBSIDY DEFINED BENEFIT PENSION PLAN
TOWN OF PONCE INLET, FLORIDA

	2015	2014	2013
Schedule of the Proportionate Share of the Net Pension Liability:			
Town proportion of the net pension liability	0.007504364%	0.007327383%	n/a
Town proportionate share of the net pension liability	\$ 765,327	\$ 685,128	n/a
Town covered employee payroll	\$ 2,317,860	\$ 2,186,188	n/a
Town proportionate share of the net pension liability as a percentage of covered payroll	33.02%	31.34%	n/a
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	n/a

Schedule of Contributions:

Contractually required contribution	\$ 31,725	\$ 26,587	n/a
Contributions in relation to the contractually required contribution	<u>\$ (31,725)</u>	<u>\$ (26,587)</u>	n/a
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	n/a
Town covered employee payroll	\$ 2,317,860	\$ 2,186,188	n/a
Contributions as a percentage of covered employee payroll	1.37%	1.22%	n/a

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) *Changes of Assumptions*. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

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OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

BUDGETARY COMPARISON SCHEDULES

OTHER MAJOR FUNDS

OTHER NONMAJOR FUNDS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2015
TOWN OF PONCE INLET, FLORIDA

	Special Revenue Funds			
	Tree Bank	Sidewalks	Parks and Recreation	Police Education
Assets:				
Cash and cash equivalents.....	\$ 14,764	35,580	3,375	10,804
Due from other governments.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>154</u>
Total assets.....	<u>\$ 14,764</u>	<u>35,580</u>	<u>3,375</u>	<u>10,958</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued expenses.....	\$ -	-	-	425
Total liabilities.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>425</u>
Fund Balances:				
Restricted.....	-	-	-	10,533
Assigned.....	<u>14,764</u>	<u>35,580</u>	<u>3,375</u>	<u>-</u>
Total fund balances.....	<u>14,764</u>	<u>35,580</u>	<u>3,375</u>	<u>10,533</u>
Total liabilities and and fund balances.....	<u>\$ 14,764</u>	<u>\$ 35,580</u>	<u>\$ 3,375</u>	<u>\$ 10,958</u>

Contraband Forfeitures	Total- Nonmajor Governmental Funds
7,033	71,556
<u>-</u>	<u>154</u>
<u>7,033</u>	<u>71,710</u>
<u>-</u>	<u>425</u>
<u>-</u>	<u>425</u>
7,033	17,566
<u>-</u>	<u>53,719</u>
<u>7,033</u>	<u>71,285</u>
<u>\$ 7,033</u>	<u>\$ 71,710</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	Special Revenue Funds			
	Tree Bank	Sidewalks	Parks and Recreation	Police Education
Revenue:				
Permits and fees.....	\$ 16,646	-	2,435	-
Fines and forfeitures.....	-	-	-	1,714
Miscellaneous:				
Investment earnings (loss).....	5	14	2	4
Miscellaneous revenue.....	-	5,850	-	-
	<u>5</u>	<u>5,864</u>	<u>2</u>	<u>4</u>
Total revenue.....	<u>16,651</u>	<u>5,864</u>	<u>2,437</u>	<u>1,718</u>
Expenditures				
Current:				
Parks and recreation.....	2,275	2,660	4,283	-
Public safety.....	-	-	-	2,792
Total expenditures.....	<u>2,275</u>	<u>2,660</u>	<u>4,283</u>	<u>2,792</u>
Excess of revenue over (under) expenditures.....	14,376	3,204	(1,846)	(1,074)
Other Financing Sources (Uses):				
Operating transfers (out).....	(8,000)	-	-	-
Net change in fund balances.....	6,376	3,204	(1,846)	(1,074)
Fund Balances - Beginning of year.....	<u>8,388</u>	<u>32,376</u>	<u>5,221</u>	<u>11,607</u>
Fund Balances - End of year.....	<u>\$ 14,764</u>	<u>35,580</u>	<u>3,375</u>	<u>10,533</u>

Contraband Forfeitures	Total- Nonmajor Governmental Funds
-	19,081
<u>550</u>	<u>2,264</u>
3	28
<u>-</u>	<u>5,850</u>
<u>3</u>	<u>5,878</u>
<u>553</u>	<u>27,223</u>
 	9,218
<u>1,727</u>	<u>4,519</u>
<u>1,727</u>	<u>13,737</u>
(1,174)	13,486
<u>-</u>	<u>(8,000)</u>
(1,174)	5,486
<u>8,207</u>	<u>65,799</u>
<u>7,033</u>	<u>71,285</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - DEBT SERVICE FUND**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous Revenues:				
Investment earnings (loss).....	\$ 240	452	449	(3)
Total revenues.....	240	452	449	(3)
Expenditures:				
Debt Service:				
2005 Capital Improvement Revenue Note:				
Principal payments.....	211,000	211,000	211,000	-
Interest payments.....	117,505	117,505	117,505	-
State Revolving Fund Loan:				
Principal payments.....	114,946	114,946	114,946	-
Interest payments.....	41,640	41,640	41,640	-
	<u>485,091</u>	<u>485,091</u>	<u>485,091</u>	<u>-</u>
Total expenditures.....	485,091	485,091	485,091	-
Excess of revenue over (under) expenditures	<u>(484,851)</u>	<u>(484,639)</u>	<u>(484,642)</u>	<u>(3)</u>
Other Financing Sources (Uses):				
Operating transfer from General Fund.....	131,511	131,534	131,534	-
Operating transfer from Public Land Acquisition and Facility Fund.....	328,340	328,105	328,105	-
Operating transfer from Sewer Fund.....	12,500	12,500	12,500	-
Operating transfer from Refuse Fund.....	12,500	12,500	12,500	-
	<u>484,851</u>	<u>484,639</u>	<u>484,639</u>	<u>-</u>
Total other financing sources (uses).....	484,851	484,639	484,639	-
Net change in fund balance.....	-	-	(3)	(3)
Fund Balance - Beginning of year.....	<u>4,420</u>	<u>4,420</u>	<u>4,420</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 4,420</u>	<u>4,420</u>	<u>4,417</u>	<u>(3)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - TREE BANK SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Permits and fees:				
Tree assessment.....	\$ 10,000	16,176	16,646	470
Miscellaneous:				
Investment earnings (loss).....	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
Total revenues.....	10,005	16,181	16,651	470
Parks and recreation - outlay.....	5	8,181	2,275	(5,906)
Parks and recreation - capital outlay.....	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>17,005</u>	<u>8,181</u>	<u>2,275</u>	<u>(5,906)</u>
Excess of revenue over (under) expenditures	<u>(7,000)</u>	<u>8,000</u>	<u>14,376</u>	<u>(5,436)</u>
Other Financing Sources (Uses):				
Operating transfer to Timucan Oaks.....	-	(8,000)	(8,000)	-
Appropriated for fund balance.....	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses).....	<u>7,000</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>-</u>
Net change in fund balances.....	-	-	6,376	(5,436)
Fund Balances - Beginning of year.....	<u>8,388</u>	<u>8,388</u>	<u>8,388</u>	<u>-</u>
Fund Balances - End of year.....	<u>\$ 8,388</u>	<u>8,388</u>	<u>14,764</u>	<u>(5,436)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - SIDEWALKS SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous:				
Investment earnings (loss).....	\$ 23	15	14	(1)
Miscellaneous revenue.....	<u>2,500</u>	<u>5,850</u>	<u>5,850</u>	<u>-</u>
Total revenues.....	<u>2,523</u>	<u>5,865</u>	<u>5,864</u>	<u>(1)</u>
Expenditures:				
Culture/Recreation:				
Operating expenditures.....	<u>2,500</u>	<u>2,660</u>	<u>2,660</u>	<u>-</u>
Total expenditures.....	<u>2,500</u>	<u>2,660</u>	<u>2,660</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>23</u>	<u>3,205</u>	<u>3,204</u>	<u>(1)</u>
Other Financing Sources (Uses):				
Appropriated for future use.....	<u>(23)</u>	<u>(3,205)</u>	<u>-</u>	<u>3,205</u>
Total other financing sources (uses).....	<u>(23)</u>	<u>(3,205)</u>	<u>-</u>	<u>3,205</u>
Net change in fund balance.....	-	-	3,204	3,204
Fund Balance - Beginning of year.....	<u>32,376</u>	<u>32,376</u>	<u>32,376</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 32,376</u>	<u>32,376</u>	<u>35,580</u>	<u>3,204</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - PARKS AND RECREATION SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance With
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Permits and fees:				
Impact fees-residential.....	\$ 2,960	2,960	2,435	(525)
Miscellaneous:				
Investment earnings (loss).....	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Total revenues.....	<u>2,962</u>	<u>2,962</u>	<u>2,437</u>	<u>(525)</u>
Expenditures:				
Culture/Recreation:				
Operating expenditures.....	400	525	400	125
Capital outlay.....	<u>6,100</u>	<u>3,883</u>	<u>3,883</u>	<u>-</u>
Total expenditures.....	<u>6,500</u>	<u>4,408</u>	<u>4,283</u>	<u>125</u>
Excess of revenue over (under) expenditures	<u>(3,538)</u>	<u>(1,446)</u>	<u>(1,846)</u>	<u>(400)</u>
Other Financing Sources (Uses):				
Appropriated for fund balance.....	<u>3,538</u>	<u>1,446</u>	<u>-</u>	<u>(1,446)</u>
Total other financing sources (uses).....	<u>3,538</u>	<u>1,446</u>	<u>-</u>	<u>(1,446)</u>
Net change in fund balance.....	-	-	(1,846)	(1,846)
Fund Balance - Beginning of year.....	<u>5,221</u>	<u>5,221</u>	<u>5,221</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 5,221</u>	<u>5,221</u>	<u>3,375</u>	<u>(1,846)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - POLICE EDUCATION SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual	Variance With
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Fines and Forfeitures:				
Fines and forfeitures.....	\$ 1,125	1,166	1,714	548
Miscellaneous:				
Investment earnings (loss).....	8	5	4	(1)
Total revenues.....	1,133	1,171	1,718	547
Expenditures:				
Public Safety:				
Law Enforcement:				
Operating expenditures.....	4,000	4,000	2,792	1,208
Total expenditures.....	4,000	4,000	2,792	1,208
Excess of revenue over (under) expenditures	(2,867)	(2,829)	(1,074)	1,755
Other Financing Sources (Uses):				
Appropriated for fund balance.....	2,867	2,829	-	(2,829)
Total other financing sources (uses).....	2,867	2,829	-	(2,829)
Net change in fund balances.....	-	-	(1,074)	(1,074)
Fund Balances - Beginning of year.....	11,607	11,607	11,607	-
Fund Balances - End of year.....	<u>\$ 11,607</u>	<u>11,607</u>	<u>10,533</u>	<u>(1,074)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CONTRABAND FORFEITURES SPECIAL REVENUE FUND**
 For the Year Ended September 30, 2015
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous:				
Investment earnings (loss).....	\$ 3	3	3	-
Fines and forfeitures.....	<u>-</u>	<u>-</u>	<u>550</u>	<u>550</u>
Total revenues.....	3	3	553	550
Expenditures:				
Public Safety:				
Law Enforcement:				
Operating expenditures.....	<u>5,400</u>	<u>1,727</u>	<u>1,727</u>	<u>-</u>
Total expenditures.....	<u>5,400</u>	<u>1,727</u>	<u>1,727</u>	<u>-</u>
Excess of revenue over (under) expenditures	<u>(5,397)</u>	<u>(1,724)</u>	<u>(1,174)</u>	<u>550</u>
Other Financing Sources (Uses):				
Appropriated fund balance.....	<u>5,397</u>	<u>1,724</u>	<u>-</u>	<u>1,724</u>
Net change in fund balances.....	-	-	(1,174)	2,274
Fund Balances - Beginning of year.....	<u>8,207</u>	<u>8,207</u>	<u>8,207</u>	<u>-</u>
Fund Balances - End of year.....	<u>\$ 8,207</u>	<u>8,207</u>	<u>7,033</u>	<u>2,274</u>

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COMPLIANCE SECTION

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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

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, 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, each major fund, and the aggregate remaining fund information of Town of Ponce Inlet, Florida (the “Town”), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated May 11, 2016. Our report includes a reference to other auditors who audited the financial statements of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc., the discretely presented component unit, which represent 100 percent of the assets, net position, and revenues of the discretely presented component unit, as described in our report on the Town’s financial statements. This report includes our consideration of the results of the other auditor’s testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Ponce Inlet, 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 Town of Ponce Inlet, Florida’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ponce Inlet’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.

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida
Page 2

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

Purpose of this Report

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

BMC CPAs

May 11, 2016



MANAGEMENT LETTER

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida

Report on Financial Statements

We have audited the financial statements of Town of Ponce Inlet, Florida, (the "Town") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 11, 2016.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.550, Rules of the Florida 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*, issued by the Comptroller General of the United States; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in that report, which is dated April 11, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the attached Management Letter Comments under the heading of Prior Year Matters.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida
Page 2

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town'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 the same. As part of our fiscal year end assessment, we evaluated the results of financial indicators developed by the Office of the Auditor General for quantitative analysis financial information, the results of which, continued to show a negative trend when compared to prior years. See our commentary on the results of our financial condition assessment procedures in the attached Management Letter Comments

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town 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.

Official Title and Legal Authority

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

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, Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

BMC CPAs

May 11, 2016

MANAGEMENT LETTER COMMENTS

Year Ended September 30, 2015

TOWN OF PONCE INLET, FLORIDA

PRIOR YEAR MATTERS

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we address in the management letter, if not already addressed in the auditor's report on compliance and internal control, whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following table summarizes the status of the prior year findings and management letter comments issued by the external auditor in fiscal year 2014:

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
Financial Condition Assessment Procedures	x		ML 2012-01

All prior year matters have been appropriately resolved, except for the following:

ML 2012-01 Financial Condition Assessment Procedures

Chapter 10.550, Rules of the Auditor General require certain disclosures in the management letter when mandatory financial condition assessment procedures reveal a declining financial position, and whether the declines are due to deteriorating financial position. These procedures also require the Town to make representations concerning whether resources are available to fund anticipated future deficits. As of September 30, 2015, the Town is continuing to face declining financial position, and the declines appear to be the result of deteriorating financial position, as evidenced from our observations of the declines in three of the four critical financial condition assessment indicators, which are summarized as follows.

- *Financial Indicator No.2-Unassigned and Assigned Fund Balance plus Unrestricted Net Position.* At September 30, 2015, the Town's aggregate (adjusted) unassigned and assigned fund balances and unrestricted net position totaled \$1,184,154, which represents a \$59,108 decline from one year earlier of \$1,243,262. While steps have been employed by the Town, the resultant trend continues to indicate a potential deterioration of financial position.
- *Financial Indicator No.4 (G)-Cash & Investments divided by Current Liabilities-Governmental Funds.* The aggregate balance of unrestricted cash and investments stated as a percent of current liabilities in the Town's governmental activities has declined for three consecutive years. These continued declines in liquidity over each of the three years indicate a continuing deterioration of financial position.
- *Financial Indicator No.4 (P)-Cash & Investments divided by Current Liabilities-Proprietary Funds.* The aggregate balance of unrestricted cash and investments stated as a percent of current liabilities in the Town's business-type activities has shown a decline for the three year period ending September 30, 2015 and is reported 72% lower than the average of the Town's peer group.

Recommendation: A significant portion of the Town's decline in liquidity and net reserves for the three year period ending September 30, 2015 can be attributed to the unanticipated and continuing costs of legal services incurred representing the Town as the defendant in a material and ongoing legal proceeding. Over the last three year period, the Town has faced difficulty in identifying and developing

significant additional source(s) of revenue capable of offsetting or recovering these litigation costs, which are expected to continue into next year, or longer. To partially mitigate this condition, the Town has successfully retained unassigned and assigned fund equity, including amounts committed for contingency funding (of 25% of the annual operating revenue in the General Fund of \$1,362,890 million at the end of 2015) sufficient to provide stability during this period. In that respect, aggregate mounts retained in the General Fund continue to remain relatively reasonable and represent approximately 42% (or 5months) of the Town's annual General Fund operating expenditures. However, these current levels of surplus equity may be difficult to maintain in future years.

We continue to recommend that steps should be considered to ensure that the Town is continually monitoring its liquidity and reserve requirements to ensure that it can continue to meet its ongoing operational funding requirements. We also recommend that the Town should develop and implement procedures that require the continuous monitoring of the Town's financial position, and take the necessary steps to restore sound financial health and stability.

Auditee Response: The Town continues to manage excessive legal defense costs associate with a land use lawsuit of unprecedented expense. Despite this lawsuit, the Town has not had to increase taxes for the last three years, yet we have still been able to increase the general fund reserve – albeit not to the level that the reserve was prior to the lawsuit. In addition to the lawsuit expense impacting the Town's financial condition assessment, the implementation of GASB-68 reduced the Town's unrestricted net position by more than two million dollars due to reported pension liability. The Town will continue to monitor its liquidity and reserve requirements to ensure that it can continue to meet its ongoing operational funding requirements, as it has each year, maintaining / increasing tax levels as needed.



INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Mayor
and Members of the Town Council
Town of Ponce Inlet, Florida

We have examined the Town of Ponce Inlet, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the Town of Ponce Inlet, Florida's compliance with those requirements. Our responsibility is to express an opinion on the Town of Ponce Inlet, Florida'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 Town of Ponce Inlet, Florida'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 Town of Ponce Inlet, Florida's compliance with specified requirements.

In our opinion, the Town of Ponce Inlet, Florida 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 management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in blue ink that reads "BMC CPAs".

May 11, 2016

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