

**CITY OF CRESTVIEW, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

# CITY OF CRESTVIEW, FLORIDA

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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**CITY OF CRESTVIEW, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the General Fund of the City of Crestview, Florida (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestview, Florida, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1 to the City's basic financial statements, the City adopted an accounting standard that required retrospective application, resulting in recognition of net pension liabilities or assets and related pension amounts, and a restatement of net position as of October 1, 2014. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-15 and other required supplementary information 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 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 City's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state projects is presented for the purposes of additional analysis as required by Chapter 10.650 Rules of the Auditor General, and is also not a required part of the basic financial statements.

Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

The combining and individual non-major fund financial statements and the schedule of expenditures of state projects are the responsibility of management and were derived from and related 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 non-major fund financial statements and the schedule of state projects are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2016, on our consideration of the City'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 that testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the City's internal control over financial reporting and compliance.



Fort Walton Beach, Florida  
July 29, 2016

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**CITY OF CRESTVIEW, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

As management of the City of Crestview, we offer readers of the City of Crestview's financial statements this narrative overview and analysis of the financial activities of the City of Crestview for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Crestview exceeded its liabilities by approximately \$46.8 million (net position), and represents an increase of approximately \$169,000 in net position from the prior year. Of this amount, \$31 million represents the net investment in capital assets (e.g. land, infrastructure, building, machinery and equipment), \$3.3 million is restricted for future obligations, and \$12.5 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The governmental net position decreased by \$315,553 from the prior year.
- The net position of the business-type activities of the City increased by \$484,579 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3.2 million, or 23% of the total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City of Crestview's basic financial statements. The City of Crestview's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*Government-wide financial statements* - The government-wide financial statements are designed to provide readers with a broad overview of the City of Crestview's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Crestview's assets and liabilities, with the difference between the two reported as net position. The statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of the financial position of the City of Crestview.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Crestview that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Crestview include general government (city clerk, city council, mayor, finance, service maintenance and non-departmental expenses), public safety (police, fire and animal control), public works (administration and engineering), transportation (streets and right-of-way), culture and recreation (parks and library) and debt service interest. The business-type activities of the City of Crestview include utilities (water and sewer) and sanitation. The government-wide financial statements are found on pages 17-18 of this report.

*Fund financial statements* - 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 City of Crestview, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

## **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.

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 19-23 of this report are the basic governmental fund financial statements.

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 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 provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Crestview maintains six individual governmental funds (General Fund, Community Redevelopment Fund, Law Enforcement Trust Fund, Capital Projects Fund, Debt Service Fund and the Permanent Fund). 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, which is considered a major fund. Data from the other five governmental funds (Community Redevelopment Fund, Debt Service Fund, Capital Projects Fund, Law Enforcement Trust Fund, and Permanent Fund) are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Crestview adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with this budget.

*Proprietary funds* - All proprietary funds of the City of Crestview are maintained as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Crestview uses enterprise funds to account for its utilities operations (water operations and distribution and sewer collections and treatment), and sanitation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Utilities Fund and Sanitation Fund are both considered major proprietary funds. The proprietary fund financial statements are found on pages 24-27 of this report.

*Fiduciary Funds* - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Crestview's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements are found on pages 28-29 of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. On page 29 of this report is the beginning of the notes to the financial statements.

## **OTHER INFORMATION**

The combining statements referred to earlier to connection with non-major governmental funds are presented immediately following the notes to the financial statements. The combining and individual fund statements and schedules are found on pages 75-76 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Crestview, assets exceeded liabilities by \$46.8 million (net position) for the fiscal year ended 2015 as reported in Table 1.

**TABLE 1**  
**CITY OF CRESTVIEW, FLORIDA**  
**NET POSITION**  
**AS OF SEPTEMBER 30, 2015 AND 2014**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Total assets, excluding capital assets	\$ 8,055	\$ 6,865	\$ 10,235	\$ 10,510	\$ 18,290	\$ 17,375
Capital assets, net of depreciation	17,488	18,141	39,721	39,835	57,209	57,976
Total assets	<u>25,543</u>	<u>25,006</u>	<u>49,956</u>	<u>50,345</u>	<u>75,499</u>	<u>75,351</u>
Deferred outflows of resources	<u>2,250</u>	<u>-</u>	<u>399</u>	<u>-</u>	<u>2,649</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 27,793</u>	<u>\$ 25,006</u>	<u>\$ 50,355</u>	<u>\$ 50,345</u>	<u>\$ 78,148</u>	<u>\$ 75,351</u>
Total liabilities, excluding long-term liabilities	\$ 1,330	\$ 1,236	\$ 1,476	\$ 1,899	\$ 2,806	\$ 3,135
Long-term liabilities	4,464	4,867	22,618	23,807	27,082	28,674
Total liabilities	<u>5,794</u>	<u>6,103</u>	<u>24,094</u>	<u>25,706</u>	<u>29,888</u>	<u>31,809</u>
Deferred inflows of resources	<u>1,198</u>	<u>-</u>	<u>213</u>	<u>-</u>	<u>1,411</u>	<u>-</u>
Net position:						
Net investment in capital assets	13,919	14,200	17,069	16,110	30,988	30,310
Restricted	410	197	2,932	252	3,342	449
Unrestricted	6,472	4,506	6,047	8,277	12,519	12,783
Total net position	<u>20,801</u>	<u>18,903</u>	<u>26,048</u>	<u>24,639</u>	<u>46,849</u>	<u>43,542</u>
Total liabilities, deferred inflows and net position	<u>\$ 27,793</u>	<u>\$ 25,006</u>	<u>\$ 50,355</u>	<u>\$ 50,345</u>	<u>\$ 78,148</u>	<u>\$ 75,351</u>

By far the largest portion of the City of Crestview's net position, \$31 million (or 65%), represent the investment in capital assets (e.g. land, infrastructure, building, machinery and equipment).

An additional portion of the City of Crestview's net position, \$3.3 million (or 7%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$12.5 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The overall increase in the City's net position was \$169,026 during FY 2015.

*Governmental Activities* - Governmental activities decreased the City of Crestview's net position by \$315,553, and business-type activities increased the City's net position by \$484,579. Reported in Table 2 are the key elements of these changes.

**TABLE 2  
CITY OF CRESTVIEW, FLORIDA  
CHANGE IN NET POSITION  
AS OF SEPTEMBER 30, 2015 AND 2014**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Program revenues:</b>						
Charges for services	\$ 2,608	\$ 2,768	\$ 9,697	\$ 8,875	\$ 12,305	\$ 11,643
Operating grants and contributions	1,225	-	151	-	1,376	-
Capital grants and contributions	16	77	-	229	16	306
<b>General revenues:</b>						
Property taxes	5,488	5,256	-	-	5,488	5,256
Other taxes	5,576	5,347	186	149	5,762	5,496
Other revenues	999	1,898	160	112	1,159	2,010
<b>Total revenues</b>	<b>15,912</b>	<b>15,346</b>	<b>10,194</b>	<b>9,365</b>	<b>26,106</b>	<b>24,711</b>
<b>Expenses:</b>						
General government	5,496	3,487	-	-	5,496	3,487
Public safety	7,711	7,633	-	-	7,711	7,633
Transportation	1,584	1,541	-	-	1,584	1,541
Culture and recreation	1,286	1,176	-	-	1,286	1,176
Interest on long-term debt	146	202	-	-	146	202
Utilities fund	-	-	6,857	6,262	6,857	6,262
Sanitation fund	-	-	2,857	2,740	2,857	2,740
<b>Total expenses</b>	<b>16,223</b>	<b>14,039</b>	<b>9,714</b>	<b>9,002</b>	<b>25,937</b>	<b>23,041</b>
Increase (decrease) in net assets before transfers	(311)	1,307	480	363	169	1,670
Transfers	(4)	(17)	4	17	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ (315)</b>	<b>\$ 1,290</b>	<b>\$ 484</b>	<b>\$ 380</b>	<b>\$ 169</b>	<b>\$ 1,670</b>

## Financial Impacts

There are eight basic impacts on revenues and expenses as reflected below:

### Revenues

- **Economic Condition** - This can reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, gas or other tax revenue.
- **Council Approved Rate Adjustments** - While certain tax rates are set by statute, the City Council has significant authority to impose and periodically adjust rates (water, wastewater, sanitation, impact fees, recreation user fees, etc.).
- **Changing Patterns in Intergovernmental Grant Revenue** (both recurring and non-recurring) – Certain recurring revenues (state revenue sharing and community development grants) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

- Market Impacts on Investment Income - The current market conditions have little influence on the City's investment income since the majority of the City's non-pension investments consist of certificates of deposit and deposits with the State Board of Administration.

### *Expenses*

- Introduction of New Programs - Within functional expense categories, (police, fire, public works, community development, parks and recreation, etc.) individual programs may be added or deleted to meet changing community needs.
- Authorized Position Adjustments - Changes in service demand may cause the City Council to change authorized staffing. Staffing costs (salary and related benefits) represent approximately 50% of the City's operating costs.
- Salary Adjustments - The ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.
- Inflation - While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as paper, chemicals, supplies, fuel, oil, and parts. Some fluctuations may experience commodity specific increases.

### **Current Year Impacts - Governmental Activities**

- Net position increased by approximately \$1.3 million in the prior year and decreased approximately \$316,000 in the current year. The prior year increase was in large part due to the reimbursement from Gulf Power. Total revenues in the governmental activities increased by approximately \$578,000 whereas expenditures increased approximately \$2.2M. The current year revenue and expenditures include a \$1 million state grant and adjustments to implement GASB 68 for pension plans.
- Property taxes increased by \$231,605 (or 4.4%).
- Charges for services for governmental activities decreased \$159,970 (or 5.78%).
- Sales and fuel taxes increased \$156,150 (or 6.33%) due to the current economic conditions.
- Other taxes for governmental activities increased \$72,703 (or 2.53%).

Chart 1  
Expenses and Program Revenue - Governmental Activities

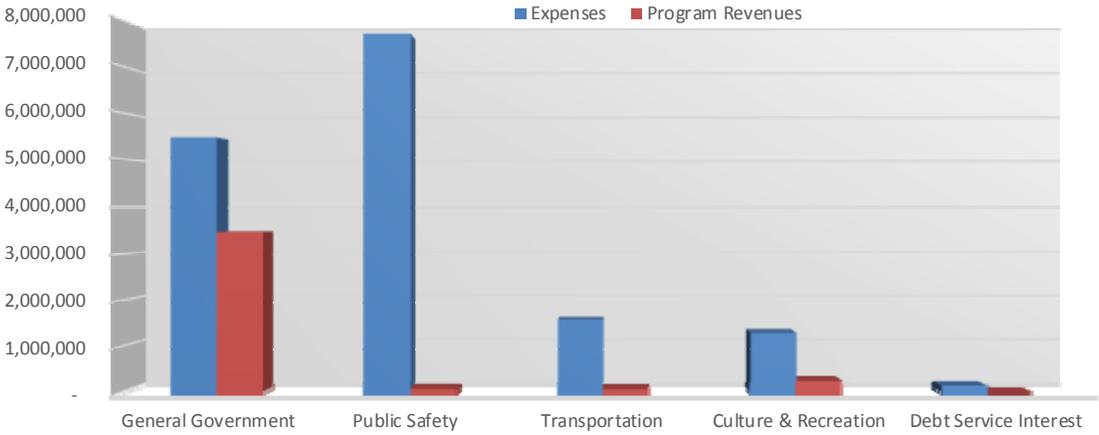
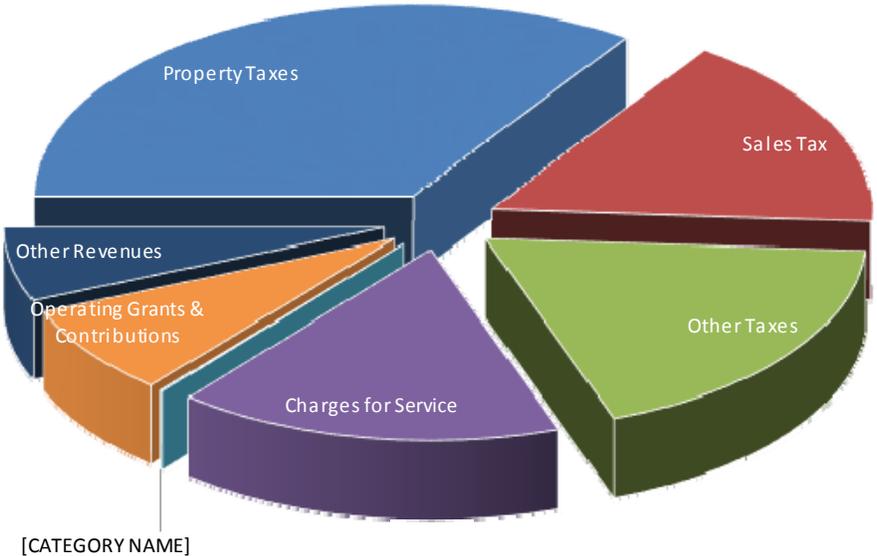


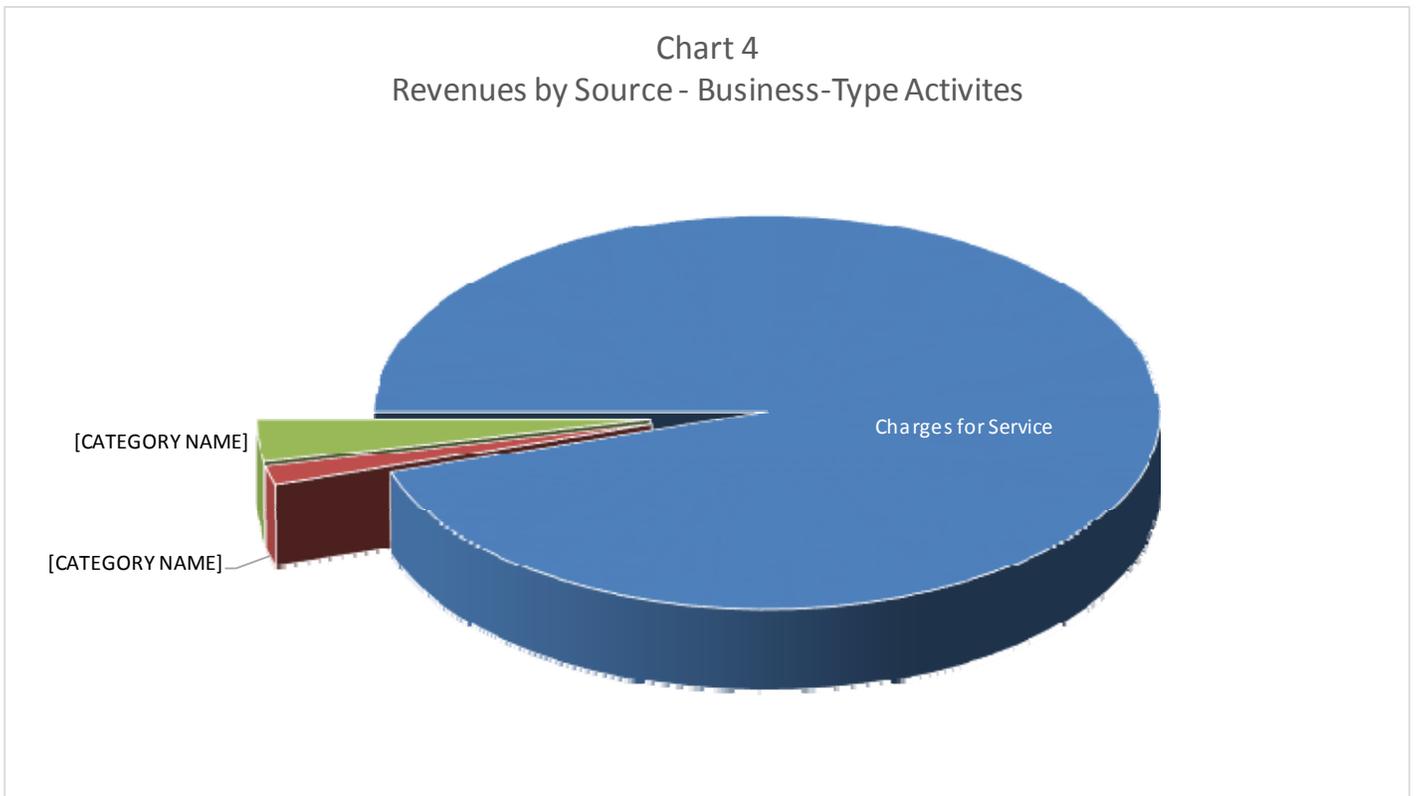
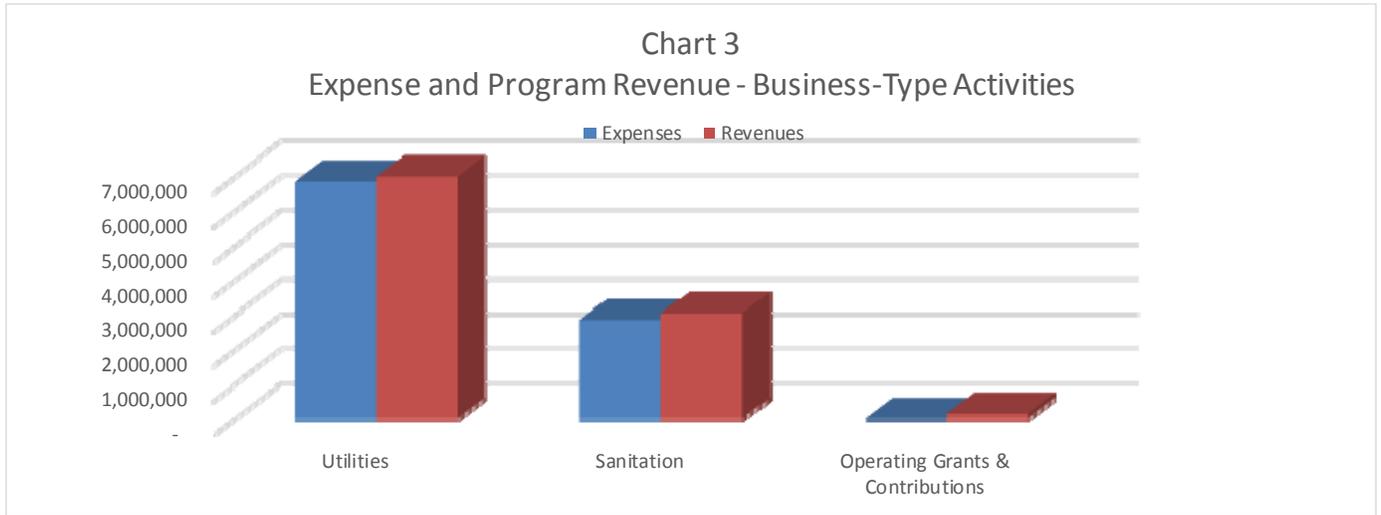
Chart 2  
Revenues by Source - Governmental Activities



## Business-Type Activities

The net position from business-type activities increased \$484,579 (or 2%).

- Charges for services for business-type activities increased by \$848,966.
- Total operating expenses increased \$540,491.



## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the City of Crestview uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

*Governmental Funds* - The focus of the City of Crestview's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City of Crestview's financing requirements. In particular, unassigned 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 of the end of the current fiscal year, the City of Crestview's governmental funds reported combined ending fund balance of \$4.2 million, an increase of \$709,909 in comparison with the prior year. Approximately 52% of this total amount (\$3.2 million) constitutes unassigned fund balance in the General Fund, which is available for spending at the City Council's discretion. Amounts that will benefit future periods (prepaid expenses) total \$276,512. Additionally, other amounts are reserved via restrictions from outside donors. The remainder of fund balance is not available for general spending because it has already been assigned by the City (\$2,301,569).

The General Fund is the chief operating fund of the City of Crestview. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3.2 million, while total fund balance reached \$6.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 23% of the total General Fund expenditures, while total fund balance represents 30% of that same amount.

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

Unrestricted net position of the proprietary funds totaled \$6 million at the end of the year; of that the Utilities Fund amounted to \$4.5 million, and the Sanitation Fund totaled \$1.5 million. The net position for this fiscal year in the proprietary funds increased by \$484,579. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Crestview's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, the City's budget was amended to reflect \$30,000 donated for the purchase of two canines for the police department.

Revenues for the year were more than budgeted by approximately \$1,207,621. Expenditures were more than budgeted amounts by \$567,550.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

The City of Crestview's investments in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$89.0 million (\$57.0 million net of accumulated depreciation). This investment in capital assets includes land, buildings, water, wastewater and drainage systems improvements, machinery and equipment, park facilities, roads, and highways, etc. The total increase in the City of Crestview's gross capital assets for the current fiscal year was \$1.5 million or 2% overall, and is summarized as follows:

- Improvements to buildings and highways and streets (\$314,717) and water and sewer system (\$998,215).
- Purchases of equipment and vehicles for the police, streets, permitting and utility departments (\$207,207).

**TABLE 3  
CITY OF CRESTVIEW CAPITAL ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,761	\$ 1,761	\$ 2,169	\$ 2,169	\$ 3,930	\$ 3,930
Construction in progress	31	214	539	11,373	570	11,587
Buildings	8,146	8,146	8,954	8,954	17,100	17,100
Improvements	4,815	4,770	1,936	1,797	6,751	6,567
Infrastructure	14,061	13,608	35,505	23,812	49,566	37,420
Machinery and equipment	6,404	5,414	4,693	4,601	11,097	10,015
Capital lease equipment	-	875	-	-	-	875
Total prior to depreciation	<u>35,218</u>	<u>34,788</u>	<u>53,796</u>	<u>52,706</u>	<u>89,014</u>	<u>87,494</u>
Less accumulation depreciation	17,730	16,647	14,075	12,872	31,805	29,519
Total	<u>\$ 17,488</u>	<u>\$ 18,141</u>	<u>\$ 39,721</u>	<u>\$ 39,834</u>	<u>\$ 57,209</u>	<u>\$ 57,975</u>

### *Long-term Debt*

At the end of the current fiscal year, the City of Crestview had total long-term debt outstanding of \$26.2 million. The City of Crestview's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), state revolving loans, and capital leases. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts, greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt. The City has no general obligation debts greater than one year as of September 30, 2015.

**TABLE 4**  
**CITY OF CRESTVIEW OUTSTANDING DEBT**  
**REVENUE BONDS, NOTES PAYABLE AND CAPITAL LEASES**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Notes payable	\$ -	\$ -	\$ 12,710	\$ 13,513	\$ 12,710	\$ 13,513
Revenue bonds	3,569	4,082	9,942	10,158	13,511	14,240
<b>Total</b>	<b>\$ 3,569</b>	<b>\$ 4,082</b>	<b>\$ 22,652</b>	<b>\$ 23,671</b>	<b>\$ 26,221</b>	<b>\$ 27,753</b>

Total long-term debt decreased by approximately \$1.4 million during the 2015 fiscal year. Additional information on the City of Crestview’s long-term debt can be found in Note 7 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline, and corporate income taxes. Local governments (cities, counties, and school boards) primarily rely upon property and limited array of permitted other taxes (sales, gasoline, utility service taxes, etc.) and fees (franchise and business license) for their governmental activities. There are a limited number of state shared revenues and recurring and non-recurring grants from both the state and federal government, which provide funding for specific programs, projects, or activities. For the business-type activities and certain governmental activities (permitting and recreational programs) the user pays a related fee or charge associated with the service.

The level of taxes, fees, and charges for services (including development related impact fees) has an impact on the City’s specific competitive ability to encourage development and redevelopment (office, retail, residential, and industrial) for those businesses that choose to locate in our jurisdiction. As the City and surrounding area continues to experience growth, the City places great emphasis on forecasting the needs of the future in order to ensure the continued financial and economic health of our community.

The military has a significant presence in our community with Duke Field, Eglin Air Force Base and Hurlburt Special Operations, employing military and civilian personnel. These installations are essential to the continued long-term economic vitality of this area. Eglin Air Force Base is the world’s largest Department of Defense installation, spanning 724 square miles. Defense contractor companies are established throughout the Northwest Florida region.

The City is undertaking several processes to assist in future planning by creating a multi-year capital improvement program. Another factor that is being looked at is a replacement program for capital equipment such as vehicles, computers, etc.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Crestview’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 198 N. Wilson Street, Crestview, Florida 32536. The City’s website address is [www.cityofcrestview.org](http://www.cityofcrestview.org). Inquiries may also be sent via email to the Finance Department at [ginatoussiant@cityofcrestview.org](mailto:ginatoussiant@cityofcrestview.org).

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF CRESTVIEW, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,353,132	\$ 5,171,487	\$ 9,524,619
Investments	661,933	92,445	754,378
Accounts receivable, net	366,593	974,442	1,341,035
Due from other governments	579,731	129,118	708,849
Restricted assets:			
Cash and cash equivalents	1,526,767	2,532,449	4,059,216
Investments	-	1,216,567	1,216,567
Prepaid expenses	276,512	66,853	343,365
Net pension asset	290,562	51,559	342,121
Capital assets:			
Assets not being depreciated	1,791,300	2,707,613	4,498,913
Assets being depreciated, net	15,696,860	37,013,651	52,710,511
<b>Total Assets</b>	<u>25,543,390</u>	<u>49,956,184</u>	<u>75,499,574</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	2,249,886	399,233	2,649,119
<b>Total Assets and Deferred Outflows</b>	<u>\$ 27,793,276</u>	<u>\$ 50,355,417</u>	<u>\$ 78,148,693</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 681,885	\$ 315,807	\$ 997,692
Accrued liabilities	147,042	29,065	176,107
Unearned revenue	15,028	134,751	149,779
Due to other governments	485,655	-	485,655
Payable from restricted assets			
Accrued interest	-	63,088	63,088
Customer deposits	-	736,979	736,979
Notes payable	-	162,996	162,996
Revenue bonds payable	26,248	33,640	59,888
Non-current liabilities			
Due within one year			
Compensated absences	312,616	59,621	372,237
Notes payable	-	491,916	491,916
Revenue bonds payable	288,725	205,043	493,768
Due in more than one year			
Notes payable	-	102,778	102,778
Revenue bonds payable	3,254,129	12,054,993	15,309,122
Net OPEB obligation	582,412	9,703,241	10,285,653
<b>Total Liabilities</b>	<u>5,793,740</u>	<u>24,093,918</u>	<u>29,887,658</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	1,198,402	212,652	1,411,054
<b>NET POSITION</b>			
Net investment in capital assets	13,919,058	17,069,435	30,988,493
Restricted for:			
Nonexpendable	50,000	-	50,000
Impact fees	-	1,473,691	1,473,691
Debt service and other debt requirements	360,417	1,458,154	1,818,571
Unrestricted	6,471,659	6,047,567	12,519,226
<b>Total Net Position</b>	<u>20,801,134</u>	<u>26,048,847</u>	<u>46,849,981</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 27,793,276</u>	<u>\$ 50,355,417</u>	<u>\$ 78,148,693</u>

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

**CITY OF CRESTVIEW, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services	Governmental Activities	Business-Type Activities	Total
<b>Functions:</b>							
<b>Governmental:</b>							
General government	\$ 5,495,893	\$ 1,224,788	\$ -	\$ 2,183,837	\$ (2,087,268)		\$ (2,087,268)
Public safety	7,711,144	-	15,724	51,530	(7,643,890)		(7,643,890)
Transportation	1,583,592	-	-	62,788	(1,520,804)		(1,520,804)
Culture and recreation	1,285,842	-	-	258,170	(1,027,672)		(1,027,672)
Interest	145,891	-	-	-	(145,891)		(145,891)
	<u>16,222,362</u>	<u>1,224,788</u>	<u>15,724</u>	<u>2,556,325</u>	<u>(12,425,525)</u>		<u>(12,425,525)</u>
<b>Business-type:</b>							
Utilities service	6,856,653	151,432	-	6,836,231		\$ 131,010	131,010
Sanitation service	2,857,377	-	-	2,861,184		3,807	3,807
	<u>9,714,030</u>	<u>151,432</u>	<u>-</u>	<u>9,697,415</u>		<u>134,817</u>	<u>134,817</u>
Total	<u>\$ 25,936,392</u>	<u>\$ 1,376,220</u>	<u>\$ 15,724</u>	<u>\$ 12,253,740</u>	<u>(12,425,525)</u>	<u>134,817</u>	<u>(12,290,708)</u>
<b>General Revenues:</b>							
Taxes:							
Property taxes					5,487,636	-	5,487,636
Local sales taxes					2,624,254	-	2,624,254
Utility service/franchise fees					2,951,571	186,133	3,137,704
Intergovernmental, unrestricted					880,326	-	880,326
Unrestricted investment earnings					36,716	26,474	63,190
Miscellaneous revenue					133,251	133,373	266,624
Transfers					(3,782)	3,782	-
Total general revenues and transfers					<u>12,109,972</u>	<u>349,762</u>	<u>12,459,734</u>
Change in net position					<u>(315,553)</u>	<u>484,579</u>	<u>169,026</u>
Net position - beginning of year, as previously stated					18,902,976	24,638,944	43,541,920
Adjustment to beginning net position					2,213,711	925,324	3,139,035
Net position - beginning of year, as restated					<u>21,116,687</u>	<u>25,564,268</u>	<u>46,680,955</u>
Net position - end of year					<u>\$ 20,801,134</u>	<u>\$ 26,048,847</u>	<u>\$ 46,849,981</u>

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

**CITY OF CRESTVIEW, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,556,330	\$ 1,796,802	\$ 4,353,132
Cash and cash equivalents - restricted	1,220,492	306,275	1,526,767
Investments	611,558	50,375	661,933
Accounts receivable - other	366,593	-	366,593
Due from other governments	553,542	26,189	579,731
Prepaid expenses	276,512	-	276,512
<b>Total Assets</b>	<b>\$ 5,585,027</b>	<b>\$ 2,179,641</b>	<b>\$ 7,764,668</b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES**

<b>LIABILITIES</b>			
Accounts payable	\$ 583,433	\$ 98,452	\$ 681,885
Accrued liabilities	147,042	-	147,042
Due to other governments	485,655	-	485,655
Unearned revenue	15,028	-	15,028
Total liabilities	<u>1,231,158</u>	<u>98,452</u>	<u>1,329,610</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred revenue	196,706	-	196,706
Total deferred inflows of resources	<u>196,706</u>	<u>-</u>	<u>196,706</u>

**FUND BALANCES**

Nonspendable:			
Prepaid expenditures	276,512	-	276,512
Permanent fund	-	50,000	50,000
Restricted	-	363,881	363,881
Assigned	634,261	1,667,308	2,301,569
Unassigned	3,246,390	-	3,246,390
Total fund balances	<u>4,157,163</u>	<u>2,081,189</u>	<u>6,238,352</u>

<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,585,027</b>	<b>\$ 2,179,641</b>	<b>\$ 7,764,668</b>
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The accompanying notes are an integral  
part of these financial statements.

**CITY OF CRESTVIEW, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

**Total Fund Balances - Governmental Funds** \$ 6,238,352

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

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

Governmental non-depreciable assets	1,791,300	
Governmental depreciable assets	33,426,316	
Less accumulated depreciation	<u>(17,729,456)</u>	17,488,160

Net pension assets are other long-term assets that are not available to pay for current period expenditures and therefore not reported in the governmental funds	290,562
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Deferred outflows related to pensions are not financial resources and therefore are not reported in the governmental funds	2,249,886
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Deferred inflows related to pensions are not financial resources and therefore are not reported in the governmental funds	(1,198,402)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Revenue bonds payable	(3,569,102)	
Compensated absences	(312,616)	
Net OPEB obligation	<u>(582,412)</u>	(4,464,130)

Certain revenues recognized on the Statement of Activities do not represent current resources and are reported as deferred revenue in the governmental funds.	<u>196,706</u>
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**Total Net Position - Governmental Activities** \$ 20,801,134

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

**CITY OF CRESTVIEW, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2015**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 10,311,190	\$ 752,271	\$ 11,063,461
License and permits	1,917,114	234,517	2,151,631
Intergovernmental	2,012,072	15,724	2,027,796
Charges for services	319,612	-	319,612
Fines and forfeitures	85,082	-	85,082
Investment earnings	32,630	4,086	36,716
Contributions	30,525	-	30,525
Miscellaneous	102,923	11,915	114,838
Total revenues	<u>14,811,148</u>	<u>1,018,513</u>	<u>15,829,661</u>
<b>Expenditures:</b>			
Current:			
General government	4,214,783	73,149	4,287,932
Public safety	7,376,835	1,378	7,378,213
Transportation	1,142,869	-	1,142,869
Culture and recreation	1,101,982	-	1,101,982
Capital outlay	195,264	335,020	530,284
Debt service:			
Principal	-	513,206	513,206
Interest	-	161,484	161,484
Total expenditures	<u>14,031,733</u>	<u>1,084,237</u>	<u>15,115,970</u>
Excess (deficiency) revenues over (under) expenditures	<u>779,415</u>	<u>(65,724)</u>	<u>713,691</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	135,562	135,562
Transfers out	(139,344)	-	(139,344)
Total other financing sources (uses)	<u>(139,344)</u>	<u>135,562</u>	<u>(3,782)</u>
Net change in fund balances	640,071	69,838	709,909
<b>Fund Balances:</b>			
Beginning of year	<u>3,517,092</u>	<u>2,011,351</u>	<u>5,528,443</u>
End of year	<u>\$ 4,157,163</u>	<u>\$ 2,081,189</u>	<u>\$ 6,238,352</u>

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

**CITY OF CRESTVIEW, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

**Net Change In Fund Balances - Governmental Funds** \$ 709,909

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

The repayment of principal on long-term debt consumes the current financial resources of governmental funds but has no effect on the government-wide net position. Also, governmental funds report the effects of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred in the Statement of Activities.

Principal payments	513,206
Change in accrued interest	15,593

Annual other post employment benefits (OPEB) cost, as required by Governmental Accounting Standards No. 45, does not require the use of current financial resources, therefore, it is not reported as an expenditure in governmental funds. (110,389)

Capital outlays are reported in the general fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation (\$1,183,421) exceeded capital outlays (\$530,284) in the current period. (653,137)

Governmental funds do not recognize expenditures for the change in the net pension liability from year-to-year. (871,665)

Certain revenues are recognized differently on the Statement of Activities than in the governmental funds based on when they are considered available current resources. 80,930

**Change in Net Position - Governmental Activities** \$ (315,553)

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

**CITY OF CRESTVIEW, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 9,963,019	\$ 9,963,019	\$ 10,311,190	\$ 348,171
License and permits	1,707,086	1,707,086	1,917,114	210,028
Intergovernmental	856,021	856,021	2,012,072	1,156,051
Charges for services	462,390	462,390	319,612	(142,778)
Fines and forfeitures	72,461	72,461	85,082	12,621
Contributions	-	30,000	30,525	525
Interest	10,000	10,000	32,630	22,630
Miscellaneous	97,550	97,550	102,923	5,373
Total revenues	13,168,527	13,198,527	14,811,148	1,612,621
<b>Expenditures:</b>				
Current:				
General government	3,293,451	3,293,451	4,214,783	(921,332)
Public safety	7,573,560	7,603,560	7,376,835	226,725
Transportation	1,284,938	1,284,938	1,142,869	142,069
Culture and recreation	1,081,459	1,081,459	1,101,982	(20,523)
Capital outlay	235,200	235,200	195,264	39,936
Total expenditures	13,468,608	13,498,608	14,031,733	(533,125)
Excess of revenues over expenditures	(300,081)	(300,081)	779,415	1,079,496
<b>Other Financing Sources (Uses):</b>				
Transfers in	405,000	405,000	-	(405,000)
Transfers out	(104,919)	(104,919)	(139,344)	(34,425)
Total other financing sources and (uses)	300,081	300,081	(139,344)	(439,425)
Net change in fund balances	\$ -	\$ -	640,071	\$ 640,071
<b>Fund Balances:</b>				
Beginning of year			3,517,092	
End of year			\$ 4,157,163	

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

**CITY OF CRESTVIEW, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	Business-Type Activities		
	Enterprise Funds		
	Utilities Fund	Sanitation Fund	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 3,757,860	\$ 1,413,627	\$ 5,171,487
Investments	92,445	-	92,445
Accounts receivable, net	637,720	336,722	974,442
Due from other governments	129,118	-	129,118
Prepaid expenses	66,853	-	66,853
Total current assets	<u>4,683,996</u>	<u>1,750,349</u>	<u>6,434,345</u>
<b>Non-Current Assets:</b>			
Restricted cash and cash equivalents	2,532,449	-	2,532,449
Restricted investments	1,216,567	-	1,216,567
Net pension asset	51,559	-	51,559
Capital assets:			
Assets not being depreciated	2,707,613	-	2,707,613
Assets being depreciated, net	<u>37,013,651</u>	<u>-</u>	<u>37,013,651</u>
Total non-current assets	<u>43,521,839</u>	<u>-</u>	<u>43,521,839</u>
Total assets	<u>48,205,835</u>	<u>1,750,349</u>	<u>49,956,184</u>
<b>Deferred Outflows of Resources:</b>			
Pensions	<u>399,233</u>	<u>-</u>	<u>399,233</u>
<b>Total Assets and Deferred Outflows</b>	<u><u>\$ 48,605,068</u></u>	<u><u>\$ 1,750,349</u></u>	<u><u>\$ 50,355,417</u></u>

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

**CITY OF CRESTVIEW, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2015**  
**(Continued)**

	Business-Type Activities		
	Enterprise Funds		
	Utilities Fund	Sanitation Fund	Total
<b>LIABILITIES AND NET POSITION</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 104,627	\$ 211,180	\$ 315,807
Accrued expenses	29,065	-	29,065
Unearned revenue	134,751	-	134,751
Payable from restricted assets			
Accrued interest	63,088	-	63,088
Customer deposits	736,979	-	736,979
Notes payable	162,996	-	162,996
Revenue bonds payable	33,640	-	33,640
Compensated absences	59,621	-	59,621
Notes payable	491,916	-	491,916
Revenue bonds payable	205,043	-	205,043
Total current liabilities	<u>2,021,726</u>	<u>211,180</u>	<u>2,232,906</u>
<b>Non-Current Liabilities:</b>			
Net other post-employment benefits obligation	102,778	-	102,778
Notes payable	12,054,993	-	12,054,993
Revenue bonds payable	9,703,241	-	9,703,241
Total non-current liabilities	<u>21,861,012</u>	<u>-</u>	<u>21,861,012</u>
Total liabilities	<u>23,882,738</u>	<u>211,180</u>	<u>24,093,918</u>
<b>Deferred Inflows of Resources:</b>			
Pensions	<u>212,652</u>	<u>-</u>	<u>212,652</u>
<b>Net Position:</b>			
Net investment in capital assets, net of related debt	17,069,435	-	17,069,435
Restricted			
Impact fees	1,473,691	-	1,473,691
Debt service and other debt requirements	1,458,154	-	1,458,154
Unrestricted	<u>4,508,398</u>	<u>1,539,169</u>	<u>6,047,567</u>
Total net position	<u>24,509,678</u>	<u>1,539,169</u>	<u>26,048,847</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 48,605,068</u>	<u>\$ 1,750,349</u>	<u>\$ 50,355,417</u>

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

**CITY OF CRESTVIEW, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2015**

	Business-Type Activities		
	Enterprise Funds		
	Utilities Fund	Sanitation Fund	Total
<b>Operating Revenue:</b>			
Charges for service	\$ 6,862,705	\$ 2,861,184	\$ 9,723,889
Operating grants and contributions	151,432	-	151,432
Other operating income	133,373	186,133	319,506
Total operating revenue	<u>7,147,510</u>	<u>3,047,317</u>	<u>10,194,827</u>
<b>Operating Expenses:</b>			
Personnel services	1,993,401	-	1,993,401
Contractual services	1,060,131	2,810,950	3,871,081
Materials and supplies	267,909	-	267,909
Professional services	71,657	-	71,657
Repairs and maintenance	255,960	-	255,960
Office and utilities	738,975	46,427	785,402
Insurance expense	259,871	-	259,871
Depreciation and amortization	1,215,032	-	1,215,032
Total operating expenses	<u>5,862,936</u>	<u>2,857,377</u>	<u>8,720,313</u>
Operating income	1,284,574	189,940	1,474,514
<b>Non-Operating Revenue and Expense:</b>			
Interest earnings	26,474	-	26,474
Interest expense	(1,020,191)	-	(1,020,191)
Total non-operating revenues and expenses	<u>(993,717)</u>	<u>-</u>	<u>(993,717)</u>
<b>Income Before Operating Transfers</b>	<u>290,857</u>	<u>189,940</u>	<u>480,797</u>
<b>Transfers:</b>			
Transfers in	<u>3,782</u>	<u>-</u>	<u>3,782</u>
Changes in net position	<u>294,639</u>	<u>189,940</u>	<u>484,579</u>
Net position - beginning of year, as previously stated	23,460,119	1,178,825	24,638,944
Adjustment to beginning net position	754,920	170,404	925,324
Net position - beginning of year, as restated	<u>24,215,039</u>	<u>1,349,229</u>	<u>25,564,268</u>
Net position - end of year	<u>\$ 24,509,678</u>	<u>\$ 1,539,169</u>	<u>\$ 26,048,847</u>

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

**CITY OF CRESTVIEW, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	Utilities Fund	Sanitation Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 7,528,061	\$ 3,085,270	\$ 10,613,331
Cash received from grants	151,432	-	151,432
Cash paid to employees for services	(1,830,576)	-	(1,830,576)
Cash paid to suppliers for goods and services	(3,085,986)	(2,933,457)	(6,019,443)
Net cash provided by operating activities	<u>2,762,931</u>	<u>151,813</u>	<u>2,914,744</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfer to other funds	(859,392)	-	(859,392)
Transfer from other funds	863,174	-	863,174
Net cash provided by non-capital financing activities	<u>3,782</u>	<u>-</u>	<u>3,782</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(1,017,320)	-	(1,017,320)
Interest paid	(1,020,191)	-	(1,020,191)
Proceeds from notes payable	8,249	-	8,249
Principal payment of notes payable	(886,990)	-	(886,990)
Principal payment on bonds payable	(224,559)	-	(224,559)
Net cash used in capital and related financing activities	<u>(3,140,811)</u>	<u>-</u>	<u>(3,140,811)</u>
<b>Cash Flows from Investing Activities:</b>			
Purchases of investments	(11,392)	-	(11,392)
Interest received	26,474	-	26,474
Net cash provided by investing activities	<u>15,082</u>	<u>-</u>	<u>15,082</u>
<b>Net Change in Cash and Cash Equivalents</b>	(359,016)	151,813	(207,203)
<b>Cash and Cash Equivalents - Beginning of the Year</b>	6,649,325	1,261,814	7,911,139
<b>Cash and Cash Equivalents - End of the Year</b>	<u>\$ 6,290,309</u>	<u>\$ 1,413,627</u>	<u>\$ 7,703,936</u>
<b>Displayed As:</b>			
Cash and cash equivalents	\$ 3,757,860	\$ 1,413,627	\$ 5,171,487
Restricted cash	2,532,449	-	2,532,449
	<u>\$ 6,290,309</u>	<u>\$ 1,413,627</u>	<u>\$ 7,703,936</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income	\$ 1,284,574	\$ 189,940	\$ 1,474,514
Adjustments to reconcile operating income to net cash provided by operating activities -			
Depreciation and amortization expense	1,215,032	-	1,215,032
Bad debt expense	95,634	-	95,634
Changes in operating assets and liabilities:			
Accounts receivable	112,047	37,953	150,000
Due to/from other governments	411,338	-	411,338
Prepaid expenses	6,619	-	6,619
Deferred outflows of resources - pensions	64,419	-	64,419
Net pension asset	(55,811)	-	(55,811)
Accounts payable	(459,922)	(76,080)	(536,002)
Accrued expenses	(22,180)	-	(22,180)
Other post employment benefits	25,937	-	25,937
Customer deposits	26,215	-	26,215
Unearned revenue	(87,036)	-	(87,036)
Deferred inflows of resources - pensions	(64,419)	-	(64,419)
Total adjustments	<u>1,267,873</u>	<u>(38,127)</u>	<u>1,229,746</u>
<b>Net Cash Provided By Operating Activities</b>	<u>\$ 2,552,447</u>	<u>\$ 151,813</u>	<u>\$ 2,704,260</u>
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities</b>			
Capital assets acquired through notes payable	<u>\$ 84,539</u>	<u>\$ -</u>	<u>\$ 84,539</u>

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

**CITY OF CRESTVIEW, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	Fiduciary Funds		
	General Employees Retirement Plan	Police Officers/ Firefighters Plan	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 253,028	\$ 276,458	\$ 529,486
Investments:			
Fixed income securities	5,475,534	5,655,256	11,130,790
Common stock and equity funds	9,066,520	9,061,155	18,127,675
Real estate	886,325	1,142,286	2,028,611
Total investments	<u>15,428,379</u>	<u>15,858,697</u>	<u>31,287,076</u>
Contributions receivable	<u>-</u>	<u>293,114</u>	<u>293,114</u>
Total assets	<u>\$ 15,681,407</u>	<u>\$ 16,428,269</u>	<u>\$ 32,109,676</u>
<b>LIABILITIES AND NET POSITION</b>			
Accounts payable	\$ 11,335	\$ 20,436	\$ 31,771
Prepaid contribution	83,027	80,605	163,632
Drop plan benefits payable	<u>188,879</u>	<u>104,067</u>	<u>292,946</u>
Total liabilities	<u>283,241</u>	<u>205,108</u>	<u>488,349</u>
<b>Net Position:</b>			
Net position restricted for pensions	<u>15,398,166</u>	<u>16,223,161</u>	<u>31,621,327</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 15,681,407</u>	<u>\$ 16,428,269</u>	<u>\$ 32,109,676</u>

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

**CITY OF CRESTVIEW, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2015**

	Fiduciary Funds		
	General Employees Retirement Plan	Police Officers/ Firefighters Plan	Total
<b>Additions:</b>			
Contributions:			
Contributions - city	\$ 478,580	\$ 347,336	\$ 825,916
Contributions - state	-	293,114	293,114
Contributions - employee	241,894	257,062	498,956
Total contributions	<u>720,474</u>	<u>897,512</u>	<u>1,617,986</u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	(544,483)	(757,498)	(1,301,981)
Interest and dividend income	430,369	494,208	924,577
Investment expenses	(108,613)	(113,314)	(221,927)
Net investment income (loss)	<u>(222,727)</u>	<u>(376,604)</u>	<u>(599,331)</u>
Total additions	<u>497,747</u>	<u>520,908</u>	<u>1,018,655</u>
<b>Deductions:</b>			
Benefits paid	583,902	505,572	1,089,474
Drop plan benefits paid	137,255	65,142	202,397
Refunds of contributions	181,713	59,843	241,556
Administrative expenses	76,125	64,059	140,184
Total deductions	<u>978,995</u>	<u>694,616</u>	<u>1,673,611</u>
Changes in net position	<u>(481,248)</u>	<u>(173,708)</u>	<u>(654,956)</u>
Net position - beginning of year, as previously stated	15,835,309	16,440,974	32,276,283
Prior period adjustments	44,105	(44,105)	-
Net position - beginning of year, as restated	<u>15,879,414</u>	<u>16,396,869</u>	<u>32,276,283</u>
Net position - end of year	<u>\$ 15,398,166</u>	<u>\$ 16,223,161</u>	<u>\$ 31,621,327</u>

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

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**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

The City of Crestview (the “City”) was originally incorporated as the Town of Crestview under Laws of the State of Florida in April 11, 1916. The town was re-incorporated by Ch. 9718, Acts 1923, and Chapter 25754, Special Acts 1949, as the City of Crestview. The City operates under the Council-Mayor form of government and provides the following services: public safety (law enforcement and fire control), roads and streets, water and sewer, sanitation, culture and recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the City:

A. Reporting Entity

The City is governed by a five-member City Council and a Mayor, each elected at-large for four-year terms. The Council has no powers other than those expressly vested in by State Statute and the City Charter and their governmental powers cannot be delegated.

As required by generally accepted accounting principles (GAAP), these financial statements present the City of Crestview (the primary government) and its component units, entities for which the City is considered to be financially accountable. In evaluating the City as reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City’s financial statements. Management utilized criteria set forth in GASB 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB 61, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

As of September 30, 2015, the City of Crestview has one component unit, the Crestview Community Redevelopment Agency (“Agency”), as defined by GASB 61, which has presented in the financial statements of the primary government as a blended component unit.

**CITY OF CRESTVIEW, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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

A. Reporting Entity (Continued)

The Crestview Community Redevelopment Agency (“Agency”) was established by the City as a separate legal entity in accordance with Florida Statute 166.021, Chapter 163, Part III. The Agency oversees the redevelopment of the downtown area. The Community Redevelopment Board of Commissioners consists of the City Council. The President and Vice President of the City Council function as the Chairman and Vice Chairman of the Community Redevelopment Agency. In addition, City employees manage the Agency’s assets. The Agency is reported in the financial statements of the primary government as a non-major governmental fund. Separate financial statements of the Agency are not prepared.

The City of Crestview Housing Authority (“Authority”) is considered a related organization to the City rather than a component unit. The Mayor of the City appoints each of the five board members of the Authority. The Mayor and members of the City Council have no oversight responsibility or any financial relationship with the Authority, other than providing certain services. Thus, the Authority is determined not to be a part of the reporting entity and is not included as a component unit in the financial statements.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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. Pension plans recognize revenue when contributions are due, as there is a statutory requirement to make the contribution. Property taxes are recorded as revenue in the year for which they are levied. Grants and similar items are recognized as revenue 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants and interest 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 items are considered to be measurable only when cash is received by the City.

The City's ad valorem taxes are assessed by the Okaloosa County Property Appraiser and collected by the Okaloosa County Tax Collector in accordance with Florida Statutes. The City retains the right and duty to set millage rates. Property taxes are not recorded as receivables at September 30th because, though legally assessed as of January 1, they are not due and payable until after the close of the fiscal year ended the following September 30th.

The following is the current property tax calendar:

Assessment date	January 1, 2015
Levy date	November 1, 2015
Due date	March 31, 2016
Delinquency date	April 1, 2016

Discounts of 1% for each month taxes are paid prior to March are granted.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

C. Measurement Focus and Basis of Accounting (Continued)

Revenue recognition criteria for property taxes under GASB requires that only property taxes expected to be collected within 60 days of the current period be accrued. Property taxes which are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility; therefore, they are not recorded as a receivable at the balance sheet date.

D. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. Internally dedicated resources are reported as *general revenues* rather than 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 for the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The following three board classifications are used to categorize the fund types used by the City:

**Governmental**

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources) and not net income.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

C. Basis of Presentation (Continued)

The City reports the following major governmental fund:

General Fund - This is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

**Proprietary**

Proprietary funds focus on the determination of net income, changes in net position, financial position and cash flows. All of the City's proprietary funds are enterprise funds, as fees are charged to external users for services. The following is a description of the major proprietary funds of the City.

Utilities Fund - This fund accounts for the City's distribution of potable water; sales and service and sanitary wastewater collection; and treatment of and disposal operations services.

Sanitation Fund - This fund accounts for the City's solid waste collection, disposal, and/or recycling services.

**Fiduciary**

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments. The City has two major fiduciary funds.

Crestview Police Officers/Firefighters Retirement Plan - Used to report resources that are required to be held in trust for the members and beneficiaries of a defined benefit pension plan administered by the City for all City police officers and firefighters.

Crestview General Employees Retirement Plan - Used to report the resources that are required to be held in trust for the members and beneficiaries of a defined benefit pension plan administered by the City for the employees that are not part of the police officer/firefighter plan.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

D. Assets, Liabilities and Net Position or Fund Balances

**Cash and Cash Equivalents**

The City has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Deposits and Investments**

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government and other similar permitted investments. The City adheres strictly to the provisions of those cited Statutes, as well as with Chapter 280, Florida Statutes, which requires the City to maintain deposits only with “Qualified Public Depositories.” The City maintains a cash pool available for use by all funds. Earnings from the pool are allocated to the respective funds based on applicable cash participation by each fund.

In addition, restricted cash accounts, certificates of deposit, and other investments are separately maintained by a few City funds in accordance with bond ordinances, retirement fund plan documents and other contractual agreements. Investments are stated at fair value.

Cash amounts in the general and utilities funds are generally either placed in State Board of Administration Debt Service accounts for investment of debt service moneys, invested with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pools created by Section 218.405 and 218.417, Florida Statutes, or made locally.

At September 30, 2015, the City’s investments in the Local Government Surplus Funds Trust Fund A (“Florida PRIME”), which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which approximates amortized cost.

Pension Trust Funds may invest in collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations; direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government or an agency of the U.S. Government; stocks, mutual funds, corporate bonds, structured mortgage products issued by the U.S. Government, or other mortgage related or asset-backed securities provided the meet certain criteria; real estate; and foreign fixed income and equity securities.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

D. Assets, Liabilities and Net Position or Fund Balances (Continued)

**Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (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 governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, if any, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Accounts receivable from customers are reported at the outstanding balance due from customers, net of any allowance for doubtful accounts. The City provides for doubtful accounts based on experience and analysis of individual accounts. When the collectibility of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. At September 30, 2015, the allowance for doubtful accounts for proprietary funds totaled \$75,000.

**Restricted Assets**

Certain proceeds of the City’s Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, customer deposits for water and sewer services are classified as restricted assets.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

D. Assets, Liabilities and Net Position or Fund Balances (Continued)

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, offset by any interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings and utility systems	20-50 years
Improvements other than buildings	20-40 years
Infrastructure	20-40 years
Machinery and equipment	3-40 years

**Deferred Outflows/Inflows of Resources**

The City has implemented the provisions of GASB Nos. 63 and 65. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as an acquisition or consumption, respectively, of net assets applicable to a future reporting period. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 65, *Items Previously Reported As Assets and Liabilities*, reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements, (1) deferred outflows of resources, (2) outflows of resources, (3) deferred inflows of resources, and (4) inflows of resources. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement 65 provides that guidance.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

D. Assets, Liabilities and Net Position or Fund Balances (Continued)

**Deferred Outflows/Inflows of Resources** (Continued)

The City reports increases and decreases in net position that relate to future periods as deferred inflows and outflows of resources in separate sections of the statement of net position. The only deferred inflow and outflow of resources reported in the government-wide financial statements is related to pensions. The deferred outflows and inflows of resources related to pensions are further discussed in Note 8.

In addition to assets, the statement of net position will sometimes include 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any of this type of item at September 30, 2015.

In addition to liabilities, the statement of net position and/or balance sheet-governmental funds will sometimes report 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2014, the City had \$196,706 recorded on its balance sheet-governmental funds as deferred revenue, which represents payments received more than 60 days subsequent to September 30, 2015.

**Pensions**

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 City pension plans and additions to/deduction from the City pension plans' fiduciary net position have been determined on the same basis as they are reported by the City pension 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.

For all pensions, at September 30, 2015, the aggregates of the City's net pension assets were \$342,121, deferred outflows of resources \$2,649,119, and deferred inflows of resources \$1,411,054 related to pensions, and pension expenses (or expenditures) for the year ended September 30, 2015 associated with net pension liabilities totaled \$1,026,338.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

D. Assets, Liabilities and Net Position or Fund Balances (Continued)

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave based on length of service to the City. All vacation leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for the amounts of vacation leave is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

Annual leave is accrued by full-time employees as follows:

<u>Years of Employment</u>	<u>Firefighters</u>	<u>All Others</u>
Up to two years	72 hours	40 hours
Two to four years	120 hours	80 hours
Four to six years	168 hours	120 hours
After six years	241 hours	160 hours

Upon termination or retirement, a maximum of 160 hours of accrued benefit will be paid to general employees, while a maximum of 240 hours of accrued benefit will be paid to firefighters. Upon separation in good standing, an employee will also be paid for any earned but unused leave to their credit as of the effective date of termination.

Sick leave is accrued at a rate of eight hours per month for all employees with the exception of firefighters, who accrue sick leave at the rate of 12 hours per month. Upon retirement of a vested employee, all accrued sick leave will be converted and serve as city service for the purpose of retirement pay computations. In addition, the City will pay (if requested by the employee) for 40 hours of unused leave each December, which is expensed as paid. However, the employee must have a minimum of 40 hours of sick leave remaining after the payment.

**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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as current period expenses.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

D. Assets, Liabilities and Net Position or Fund Balances (Continued)

**Long-term Obligations** (Continued)

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Bond premiums and discounts are recognized as other financing sources or uses as appropriate. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Classification of Fund Balance**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are comprised of the following:

- Non-spendable - includes amounts that are (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, for example: inventories, deposits, prepaid items, and advances to other funds.
- Restricted - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed - includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action of the government’s highest level of decision making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- Assigned - includes fund balance amounts that sets limits as a result of the intended use of funds that are neither restricted nor committed, per the City’s Purchasing Policy, which is set by the City’s management. In governmental funds, other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that the resources of other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

D. Assets, Liabilities and Net Position or Fund Balances (Continued)

**Classification of Fund Balance** (Continued)

- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the City's policy to use committed resources first, followed by assigned resources and then unassigned resources, as they are needed.

**Net Position**

The government-wide and business-type 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 - is intended to reflect the portion of net position which are associated with non-liquid, capital assets, net of related debt.
- Restricted Net Position - are liquid assets, generated from revenues and net bond proceeds, which are not accessible for general use because of third-party (statutory, bond covenant or grant agency) limitations.
- Unrestricted Net Position - represents unrestricted liquid assets.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

F. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted by ordinance for all governmental and proprietary funds. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year-end except for appropriations related to multiyear capital projects.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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

F. Budgets (Continued)

Budgetary data reflected in the financial statements are established by the following procedures:

Prior to September 1 of each year, the City Council prepares in detail and adopts a budget of anticipated revenues and expenditures for all City purposes of the ensuing year.

Proposed budgets are advertised in a newspaper of general circulation in the City and detailed in the minutes of the Council. Public hearings are conducted for the purposes of receiving taxpayer comments. When the budget is adopted, it has the force and effect of appropriations for the various items and purposes specified.

The limits shall not be exceeded by the Council nor any office or department during the year. Amendments and transfers may be made to the budget by a two-thirds vote of the Council and the consent of the Mayor. The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level.

A budget amendment shall be deemed to mean the act of increasing the total budgeted amount of a given fund as opposed to a transfer of a budgeted amount from one account to another within the same fund. Budgeted amounts are as originally adopted, or as amended with the approval of the City Council.

G. Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2015 and July 29, 2016, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

*Deposits:*

Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned. The City manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" (QPDs), as defined in Chapter 280, Florida Statutes, which bear no custodial credit risk or are in institutions which meet the exemption requirements of Chapter 280. The exemptions qualify under the exemptions 280.03(e) or 280.03(f) as a deposit made in accordance with Chapter 17.57(g). The provisions of Chapter 280 allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Deposits (Continued):*

All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, all deposits are fully insured or collateralized with securities held by the State Treasurer in the City's name.

*Investments:*

As of September 30, 2015, the City held the following investments in its governmental and proprietary funds as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosure*:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Local government investment pool	\$ 704,033	< one year	AAA

Certificates of deposit valued at \$1,266,942 are also included as investments on the Statement of Net Position.

As of September 30, 2015, the City held the following investments in its pension funds:

<u>Investment Type</u>	<u>Fair Value</u>
Fixed income securities	\$ 11,130,790
Equities	18,127,675
Real estate investment fund	2,028,611
	<u>\$ 31,287,076</u>

*Interest Rate Risk:*

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The City minimizes interest rate risk by structuring investments to mature to meet future operating cash requirements and investing primarily in short-term securities.

**CITY OF CRESTVIEW, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Interest Rate Risk (Continued):*

The maturity of the State Board of Administration Local Government Surplus Funds Trust Fund Florida PRIME is based on the weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on the final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

Neither the General Employees' Retirement Plan nor the Police Officers' and Firefighters' Retirement Plan have policies that limit their investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

*Credit Risk:*

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities.

The City does not have a formal policy that limits its investment choices. Unless otherwise authorized by law or ordinance, the City is authorized under Section 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time-to-time in:

1. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Chapter 163.01, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280.02, Florida Statutes.
4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities.
6. Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
7. Other investments authorized by law or by ordinance for a county or municipality.
8. Other investments authorized by law or by resolution for a school district or a special district.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Credit Risk (Continued):*

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

As of September 30, 2015, the City's investment in the Florida PRIME is rated AAAM by Standard & Poor's.

According to the General Employees' Retirement Plan, as of September 30, 2015, the portfolio consisted of U.S. Treasury and mortgage backed securities and corporate bonds with Moody's quality ratings ranging from Aaa to Baa3.

According to the Police Officers' and Firefighters' Retirement Plan, as of September 30, 2015, the portfolio consisted of U.S. Treasury and mortgage backed securities (all rated Aaa by Moody's); asset backed securities/commercial mortgage backed securities (rated Aaa to Baa1 by Moody's, except for approximately \$94,250 which was not rated by Moody's). The portfolio also consisted of corporate and non-corporate bonds with ratings ranging from Aa2 to Baa3.

*Concentration Risk:*

GASB Statement No. 40 requires disclosure of the concentration of credit risk when five or more percent of the total assets of the portfolio are invested with a single issuer.

The investment limits set aside by the City pension plans for an individual company security are summarized below:

<u>Security</u>	<u>General Employees' Retirement Plan</u>	<u>Police Officers' and Firefighters' Retirement Plan</u>
Equities (common stock)	3% of value of plan assets	5% of value of plan assets
Fixed income (bonds)	3% of value of plan assets	3% of value of plan assets
Foreign securities in total may not exceed	10% of value of plan assets	25% of value of plan assets

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Concentration Risk (Continued):*

Fixed income investments generally must meet certain investment grading standards and equities must be traded on a national exchange. Investments in corporate common stocks and convertible bonds are limited to 70% of the market value of each plan's assets. Similar grading and/or trading criteria apply to mutual funds, money market funds, U.S. government back securities, etc. None of the above limitations were exceeded by either plan at September 30, 2015. Investment policies are subject to a review at least one annually by the Board of Trustees for each plan.

**NOTE 3 - INTERFUND TRANSFERS**

All transfers are routine and are consistent with the activities of the fund making the transfer. Included in these are transfers from the General Fund to other governmental funds in accordance with established budgets. The following presents the interfund transfers for the year ended September 30, 2015:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 139,344
Other Governmental Funds	135,562	-
Utilities Fund	<u>3,782</u>	<u>-</u>
Totals	<u>\$ 139,344</u>	<u>\$ 139,344</u>

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2015, were as follows:

	Governmental Activities		Business-type Activities		Total
	General Fund	Other Governmental	Utilities Fund	Sanitation Fund	
Franchise fees	\$ 163,219	\$ -	\$ -	\$ -	\$ 163,219
Utility service	196,719	-	-	-	196,719
Accounts receivable	-	-	335,404	195,926	531,330
Unbilled receivables	-	-	352,316	165,796	518,112
Less: allowance for doubtful accounts	-	-	(50,000)	(25,000)	-
Other	6,655	-	-	-	6,655
Receivables, net	<u>\$ 366,593</u>	<u>\$ -</u>	<u>\$ 637,720</u>	<u>\$ 336,722</u>	<u>\$ 1,341,035</u>

**NOTE 5 - DUE FROM OTHER GOVERNMENTS**

The amounts due from other governments at September 30, 2015, is composed of the following:

	Governmental Activities		Business-type Activities		Total
	General Fund	Other Governmental	Utilities Fund	Sanitation Fund	
Federal	\$ -	\$ -	\$ 99,118	\$ -	\$ 99,118
State	510,642	26,189	30,000	-	566,831
Other	42,900	-	-	-	42,900
Due from other governments, net	<u>\$ 553,542</u>	<u>\$ 26,189</u>	<u>\$ 129,118</u>	<u>\$ -</u>	<u>\$ 708,849</u>

**CITY OF CRESTVIEW, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 6 - CAPITAL ASSETS**

Changes in capital assets of the government-type activities are summarized as follows:

	Balance October 1, 2014	Additions	Deletions/ Transfers	Balance September 30, 2015
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,760,657	\$ -	\$ -	\$ 1,760,657
Construction in progress	213,746	30,643	(213,746)	30,643
Total capital assets not being depreciated	<u>1,974,403</u>	<u>30,643</u>	<u>(213,746)</u>	<u>1,791,300</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,145,784	-	-	8,145,784
Improvements other than buildings	4,770,432	19,249	25,503	4,815,184
Infrastructure	13,607,958	276,739	176,329	14,061,026
Machinery and equipment	5,414,419	203,653	786,250	6,404,322
Equipment under capital lease	875,215	-	(875,215)	-
Total capital assets being depreciated	<u>32,813,808</u>	<u>499,641</u>	<u>112,867</u>	<u>33,426,316</u>
Less accumulated depreciation for:				
Buildings	(2,080,065)	(162,876)	-	(2,242,941)
Improvements other than buildings	(2,128,036)	(226,033)	-	(2,354,069)
Infrastructure	(7,831,320)	(400,260)	-	(8,231,580)
Machinery and equipment	(4,060,119)	(394,252)	(446,495)	(4,900,866)
Equipment under capital lease	(547,374)	-	547,374	-
Total accumulated depreciation	<u>(16,646,914)</u>	<u>(1,183,421)</u>	<u>100,879</u>	<u>(17,729,456)</u>
Total capital assets being depreciated, net	<u>16,166,894</u>	<u>(683,780)</u>	<u>213,746</u>	<u>15,696,860</u>
Governmental activities capital assets, net	<u>\$ 18,141,297</u>	<u>\$ (653,137)</u>	<u>\$ -</u>	<u>\$ 17,488,160</u>

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 6 - CAPITAL ASSETS (Continued)**

Changes in capital assets of the business-type activities are summarized as follows:

	Balance October 1, 2014	Additions	Deletions/ Transfers	Balance September 30, 2015
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,168,710	\$ -	\$ -	\$ 2,168,710
Construction in progress	11,372,631	302,611	(11,136,339)	538,903
Total capital assets not being depreciated	<u>13,541,341</u>	<u>302,611</u>	<u>(11,136,339)</u>	<u>2,707,613</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,954,298	-	-	8,954,298
Improvements other than buildings	1,796,592	68,701	71,194	1,936,487
Infrastructure	23,812,699	626,903	11,065,145	35,504,747
Machinery and equipment	4,601,010	103,644	(11,125)	4,693,529
Total capital assets being depreciated	<u>39,164,599</u>	<u>799,248</u>	<u>11,125,214</u>	<u>51,089,061</u>
Less accumulated depreciation for:				
Buildings	(3,554,698)	(185,008)	-	(3,739,706)
Improvements other than buildings	(465,277)	(107,914)	-	(573,191)
Infrastructure	(6,680,630)	(616,655)	-	(7,297,285)
Machinery and equipment	(2,170,898)	(305,455)	11,125	(2,465,228)
Total accumulated depreciation	<u>(12,871,503)</u>	<u>(1,215,032)</u>	<u>11,125</u>	<u>(14,075,410)</u>
Total capital assets being depreciated, net	<u>26,293,096</u>	<u>(415,784)</u>	<u>11,136,339</u>	<u>37,013,651</u>
Business-type activities, net	<u>\$ 39,834,437</u>	<u>\$ (113,173)</u>	<u>\$ -</u>	<u>\$ 39,721,264</u>

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 6 - CAPITAL ASSETS (Continued)**

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

Governmental activities -	
General government	\$ 225,907
Public safety	332,931
Transportation	440,723
Culture and recreation	183,860
	<u>1,183,421</u>
Total depreciation expenses - governmental activities	<u>\$ 1,183,421</u>
Business-type activities -	
Utilities	\$ 1,215,032
Sanitation	-
	<u>-</u>
Total depreciation expenses - business-type activities	<u>\$ 1,215,032</u>

**NOTE 7 - NON-CURRENT LIABILITIES**

The following is a summary of changes in long-term debt and other liabilities of the City:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 4,082,308	\$ -	\$ (513,206)	\$ 3,569,102	\$ 314,973
Compensated absences	312,616	405,427	(405,427)	312,616	312,616
Other postemployment benefits	472,023	110,389	-	582,412	-
	<u>\$ 4,866,947</u>	<u>\$ 515,816</u>	<u>\$ (918,633)</u>	<u>\$ 4,464,130</u>	<u>\$ 627,589</u>
<b>Business-type activities:</b>					
State revolving loans	\$ 13,512,879	\$ 92,788	\$ (895,762)	\$ 12,709,905	\$ 491,916
Revenue bonds	10,368,242	-	(224,559)	10,143,683	205,043
Less deferred amounts for issuance discount	(210,531)		8,772	(201,759)	-
Compensated absences	59,621	59,840	(59,840)	59,621	59,621
Other postemployment benefits	76,841	25,937	-	102,778	-
	<u>\$ 23,807,052</u>	<u>\$ 178,565</u>	<u>\$ (1,171,389)</u>	<u>\$ 22,814,228</u>	<u>\$ 756,580</u>

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 7 - NON-CURRENT LIABILITIES (Continued)**

*Description of Long-Term Debt and Other Liabilities Outstanding*

**Governmental Activities**

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<b><i>Revenue Bonds</i></b>			
<u>Capital Improvement Revenue Bonds, Series 2001A</u>			
Issued \$1,000,000 at 5.15% interest, interest payable semiannually and principal due annually on March 1, matures March 2016. Funds used to finance construction of a public safety building and park improvements.	\$ 27,252	\$ -	\$ 27,252
<u>Capital Improvement Revenue Bonds, Series 2001</u>			
Issued \$2,452,000 at 4.75% interest. Principal and interest payments due annually on September 1, matures in September 2041. Secured and payable from franchise fees and public service fees and public service taxes. Funds used for the purpose of financing the acquisition and construction of library improvements.	40,000	2,040,000	2,080,000
<u>Public Safety Facilities Fee Revenue Bonds, Series 2007</u>			
Issued \$900,000 at 4.44% interest. Principal and interest payments due annually on March 1, matures in March 2018. Secured and payable from public safety franchise fees. Funds used for the purpose of financing the construction of a public safety building.	90,000	180,000	270,000
<u>Public Improvement Revenue Bonds, Series 2008</u>			
Issued \$1,639,000 at 3.99% interest. Principal and interest payments due annually on March 1, matures in March 2023. Secured and payable from the local government half-cent sales tax. Funds used for the purpose of acquisition of a municipal office building.	107,721	884,129	991,850

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 7 - NON-CURRENT LIABILITIES (Continued)**

*Description of Long-Term Debt and Other Liabilities Outstanding (Continued)*

**Governmental Activities (Continued)**

	Current	Long-Term	Total
<u>Public Safety Revenue Bonds, Series 2009</u>			
Issued \$450,000, interest ranges from 3.0% to 6.25%. Principal and interest payments due annually on March 1, matures in March 2019. Secured and payable from non-ad valorem revenues. Funds used for the purpose of financing the acquisition of two fire trucks.	50,000	150,000	200,000
<b>Total Governmental Activities</b>	\$ 314,973	\$ 3,254,129	\$ 3,569,102

**Business-Type Activities**

***State Revolving Loans***

	Current	Long-Term	Total
State revolving loan payable (2008) of \$7,068,015, due in semi-annual payments of \$230,172, through June 15, 2028, bearing an interest rate of 2.53%, secured by anticipated net water and sewer system revenues.	\$ 334,101	\$ 4,738,769	\$ 5,072,870
State revolving loan payable (2010) of \$890,026, due in semi-annual payments of \$29,486, through July 15, 2032, bearing an interest rate of 2.86%, secured by anticipated net water and sewer system revenues.	36,651	752,904	789,555
State revolving loan payable (2013) of \$7,283,055, due in semi-annual payments of \$228,485, through August 15, 2034, bearing an interest rate of 2.55%, secured by anticipated net water and sewer system revenues.	284,160	6,563,320	6,847,480
<b>Total state revolving loans - business-type activities</b>	654,912	12,054,993	12,709,905

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 7 - NON-CURRENT LIABILITIES (Continued)**

*Description of Long-Term Debt and Other Liabilities Outstanding (Continued)*

**Business-Type Activities (Continued)**

<b>Revenue Bonds</b>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<u>Capital Improvement Revenue Bonds, Series 2001A</u>			
Issued \$500,000 at variable interest, principal and interest payments of \$4,662 due monthly, matures March 2016. Funds used to finance construction of water wells and water tanks.	\$ 73,683	\$ -	\$ 73,683
 <u>Water and Sewer Refunding and Improvement Revenue Bonds, Series 2008</u>			
Issued \$11,080,000, interest ranges 3% to 5.25%. Interest is payable semiannually and annual principal payments are due on March 1, matures in March 2038, secured by anticipated net water and sewer system revenues. Funds used for the purpose of retiring the Water & Sewer Revenue Bonds, Series 1997; retiring the Water & Sewer Revenue Bonds, Series 1992; and to finance the cost of additions and improvements to the City's water and sewer system.	165,000	9,905,000	10,070,000
Unamortized discount on bond refunding	-	(201,759)	(201,759)
Total revenue bonds - business-type activities	<u>238,683</u>	<u>9,703,241</u>	<u>9,941,924</u>
<b>Total Business-Type Activities</b>	<u>\$ 893,595</u>	<u>21,758,234</u>	<u>\$ 22,651,829</u>
<b>Grand Total Long-Term Debt</b>			<u><u>\$ 26,220,931</u></u>

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 7 - NON-CURRENT LIABILITIES (Continued)**

*Annual Requirements to Amortize Debt Outstanding*

The annual requirements to amortize all debt outstanding except compensated absences and other post-employment benefits as of September 30, 2015, are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 314,973	\$ 165,081	\$ 893,595	\$ 831,263	\$ 2,204,912
2017	294,019	150,400	841,765	804,295	2,090,479
2018	300,489	136,784	864,053	780,209	2,081,535
2019	217,137	122,895	891,786	755,254	1,987,072
2020	174,970	111,970	914,977	729,202	1,931,119
2021-2025	693,514	448,917	5,014,568	3,218,590	9,375,589
2026-2030	365,000	340,861	5,641,687	2,417,356	8,764,904
2031-2035	468,000	244,816	5,806,157	1,206,865	7,725,838
2036-2040	602,000	121,648	1,985,000	210,261	2,918,909
2041-2045	139,000	6,603	-	-	145,603
Total	<u>\$ 3,569,102</u>	<u>\$ 1,849,975</u>	<u>\$ 22,853,588</u>	<u>\$ 10,953,295</u>	<u>\$ 39,225,960</u>

**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

The City administers two defined benefit pension plans: the Crestview General Employees' Retirement Plan Trust Fund and the Crestview Police Officers' and Firefighters' Plan Trust Fund. These plans provide benefits for all qualifying employees of the City. Each plan is administered by a five person retirement committee consisting of two members appointed by the City Council, two elected members of the Plan and a fifth member elected by the other four and appointed by the City Council. The Plans issue publicly available financial reports that include certain required additional disclosures. These reports may be obtained by writing to the Secretary, Retirement Plans, PO Box 1209, Crestview, FL 32536. Following are required employer disclosures for the plans.

*General Employees' Retirement Plan (GERP)*

The Crestview General Employees' Retirement Plan Trust Fund is the administrator of a single employer public employee retirement system established by the City. It is mandatory that all full-time general employees of the City participate in the Plan. GERP provides retirement benefits and reduced early retirement benefits, as well as death and disability benefits. All benefits vest after 10 years of credited service.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

*General Employees' Retirement Plan (GERP) (Continued)*

Employees who retire at or after age 55 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly, of 2.64% of Average Final Compensation for year of credited service plus \$215 per month. This benefit is paid in the form of a Life Annuity (options available). Employees who have attained age 50 and completed 10 years of credited service are eligible for early retirement and may elect to receive an immediate actuarially reduced benefit. Disability benefits are also provided at a reduced benefit amount for qualifying employees determined by the Board to be totally and permanently disabled. Benefit provisions are established by the Trust Instrument. Any amendments to the Plan are accomplished through revision and amendment of City Ordinances.

The Plan includes a provision for a deferred retirement option plan (DROP). A member becomes eligible when normal retirement requirements are satisfied. The member may not participate in the DROP for more than 60 months. The average daily balance in a member's DROP account shall be credited or debited at a rate equal to the actual net rate of investment return, net of brokerage commissions, transaction costs and management fees. Upon entering the DROP, the members shall not accrue any additional credited service or additional benefits and shall not be permitted to again contribute to the System. All benefits payable to a member from the DROP shall be paid from the assets of the member's DROP account and neither the City nor the Board shall have a duty or liability to furnish the DROP with any funds, securities or other assets except to the extent required by any applicable law. The DROP balance as of September 30, 2015 was \$188,879.

*Police Officers' and Firefighters' Retirement Plan (POFRP)*

The Crestview Police Officers' and Firefighters' Retirement Plan Trust Fund is the administrator of a single employer public employee retirement system established by the City. It is mandatory that all full-time City police officers and firefighters participate in the plan.

The POFRP provides retirement benefits and reduced early retirement benefits as well as death and disability benefits. All benefits vest after 10 years of credited service. Employees who retire at or after age 55 with 10 years of credited service or age 52 with 25 years of credited service are eligible for normal retirement and are entitled to an annual retirement benefit, payable monthly, of three and one-fifth percent (3.2%) of Average Final Compensation times credited service. This benefit is paid in the form of a Ten Year Certain and Life Annuity (options available). Employees who have attained age 45 and completed 10 years of credited service are eligible for early retirement and may elect to receive a benefit reduced 3% for each year that early retirement precedes age 50 and actuarially reduced accordingly. Disability benefits are also provided at a reduced benefit amount for qualifying employees determined by the Board to be totally and permanently disabled. Benefit provisions are established by the Trust Instrument. The State also contributes to the Plan. Any amendments to the Plan are accomplished through revision and amendment of City Ordinances.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

*Police Officers' and Firefighters' Retirement Plan (POFRP) (Continued)*

The Plan includes a provision for a deferred retirement option plan (DROP). A member becomes eligible when normal retirement requirements are satisfied. The member may not participate in the DROP for more than 60 months. An eligible member which elects to enter the DROP can select either 1) actual net rate of investment return, net of brokerage commissions, transaction costs and management fees or 2) interest at an effective rate of 6.5% per annum compounded monthly on the prior month's ending balance. Upon entering the DROP, the member shall not accrue any additional credited service or additional benefits and shall not be permitted to again contribute to the System. All benefits payable to a member from the DROP shall be paid only from the assets of the member's DROP account and neither the City nor the Board shall have a duty or liability to furnish the DROP with any funds, securities or other assets except to the extent required by any applicable law. The DROP balances as of September 30, 2015 was \$104,067.

Membership of each plan consisted of the following on September 30, 2015, the date of the latest actuarial report.

	GERP	POFRP
Retirees and beneficiaries receiving benefits and terminated employees entitled to benefits but not yet receiving them	53	31
Current employees:		
Vested	35	19
Nonvested	71	68
Total	159	118

Contributions

The contribution requirements of plan members and the City are established annually and amended by City ordinance. Plan members are required to contribute a set percentage of their annual covered salaries. The City is required to contribute at an actuarially determined rate.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

*Investments*

The following was the Board's adopted asset allocation policy as of September 30, 2015:

Asset Class	Target Allocation
Domestic Equity	45%
International Equity	15%
Domestic Fixed Income	25%
Global Fixed Income	5%
Core Real Estate	10%
	100%

The Plans did not hold investments in any one organization that represent 5 percent or more of the Pension Plans' fiduciary net position.

For the year ended September 30, 2015 the annual money-weighted rate of return on the GERP and POFRP investments, net of pension plan investment expenses, was -1.99% percent and -2.25% percent, respectively.

More information about the Plan's investments is discussed in Note 2.

*Net Pension Asset of the Sponsor*

The components of the net pension asset of the sponsor on September 30, 2015 were as follows:

	GERP	POFRP
Total Pension Liability	\$ 16,152,168	\$ 15,515,508
Plan Fiduciary Net Position	(15,606,392)	(16,403,405)
Sponsor's Net Pension Asset	\$ 545,776	\$ (887,897)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	96.62%	105.72%

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended September 30, 2015, the City recognized pension expense of \$519,436 for the GERP and \$506,902 for the POFRP. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	GERP		POFRP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of October 1, 2014	\$ 556,922	\$ 197,036	\$ 725,924	\$ 230,421
Change due to:				
Amortization	(319,015)	(98,480)	(343,264)	(246,164)
Changes in assumptions		196,887		1,131,354
Contributions	(556,922)	-	(725,924)	-
Difference between projected and actual earnings on investments	1,595,075	-	1,716,323	-
Total change	<u>719,138</u>	<u>98,407</u>	<u>647,135</u>	<u>885,190</u>
Balance as of September 30, 2015	<u>\$ 1,276,060</u>	<u>\$ 295,443</u>	<u>\$ 1,373,059</u>	<u>\$ 1,115,611</u>

The outcome of the deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability each year. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	GERP	POFRP
2016	\$ 220,534	\$ 97,100
2017	\$ 220,534	\$ 97,101
2018	\$ 220,534	\$ 97,101
2019	\$ 319,015	\$ 154,706
2020	\$ -	\$ (188,559)
Thereafter	\$ -	\$ -

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions applied to all measurements periods.

	<u>GERP</u>	<u>POFRP</u>
Inflation	3.00%	3.00%
Invested rate of return	8.00%	8.00%
Projected salary increases	6.00%	6.50%

GERP: RP-2000 Mortality Table (Combined Healthy) projected to valuation date using scale AA. Disability mortality set forward five years.

POFRP: RP-2000 Mortality Table (Combined Healthy with no projection. Disabled lives set forward five years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study for the period 1986-2007.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.50%
International Equity	8.50%
Domestic Fixed Income	2.50%
Global Fixed Income	3.50%
Core Real Estate	4.50%

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

*Discount Rate*

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	GERP	POFRP
1% decrease of discount rate to 7.00%	\$ 2,394,624	\$ 999,823
Current discount rate of 8.00%	\$ 545,776	\$ (887,897)
1% increase of discount rate to 9.00%	\$ (994,764)	\$ (2,457,432)

**NOTE 9 - OTHER POST-EMPLOYMENT BENEFIT PLAN**

*Plan Description*

The Postemployment Healthcare Benefits Plan (Plan) is a single employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City, and eligible dependents, may continue to participate in the City's health and hospitalization plan for medical, and prescription drug coverage. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The rates paid by the retirees eligible for Medicare are reduced by the Medicare premium. The Plan does not issue a stand-alone report, and it is not included in the report of a Public Employee Retirement System or another entity.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 9 - OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)**

Summary information regarding plan provisions and employee contributions is presented below:

Credited Service	Total completed years of employment with the City
Eligibility for Insurance Coverage Police/Fire pension participants	Age 55 and 10 years of service or 25 years of service, regardless of age, is normal retirement. Employees may retire early at 45 and 10 years of service.
General pension participants	Age 60 and 10 years of service is normal retirement. Employees may retire early at age 50 and 10 years of service.
Health and dental contributions Retiree	100% of the active premium rate
City	Remaining amount necessary for payment of claims.
Life insurance contributions (retiree)	100% of premium rate
Life insurance benefits (retiree)	\$10,000 to age 70, then \$5,000

***Employee Contribution Information***

Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. Projected premiums for the dental and life insurance benefits are assumed to cover the entire cost of the program.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 9 - OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)**

*Funding Policy*

Contribution rates for the plan are established on an annual basis by the City Council. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for health insurance, dental insurance and term life insurance benefits. While the City does not directly contribute toward the cost of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees, constitutes a significant economic benefit to retirees, or an “implicit” subsidy. This implicit subsidy is considered to be an other post-employment benefit (OPEB) obligation of the City. The City is not currently funding the OPEB obligation. For the year ended September 30, 2015, the contributions made to the program totaling \$61,708 were assumed to be the benefits paid for retirees and administrative expenses.

*Annual OPEB Cost and Net OPEB Obligation*

The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year to amortize an unfunded liability of the plan over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the City’s plan, including both the implicit rate subsidy for health insurance, dental insurance and the term life insurance benefits as of the last valuation date, October 1, 2014:

Annual required contribution	\$ 200,422
Interest on net OPEB obligation	21,955
Adjustment to annual required contribution	<u>(24,343)</u>
Annual OPEB cost	198,034
Contributions made	<u>(61,708)</u>
Increase in net OPEB obligation	136,326
Net OPEB obligation - beginning of year	548,864
Net OPEB obligation - end of year	<u><u>\$ 685,190</u></u>

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 9 - OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)**

The City has allocated its OPEB liability between its General and Utilities Fund based on payroll costs. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2015 are as follows:

Fiscal Year Ended	Annual OPEB cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
9/30/2015	\$ 198,034	\$ 61,708	31%	\$ 685,190
9/30/2014	\$ 131,249	\$ 33,343	25%	\$ 548,864
9/30/2013	\$ 131,124	\$ 33,343	25%	\$ 353,177

***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 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 at that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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, 2014 actuarial valuation the entry age normal (level 5 of pay) actuarial cost method is used. The annual required contribution (ARC) reflects a 30 year, level amortization of the unfunded actuarial accrued liability (AAL). The actuarial assumptions included 4% investment rate of return, 3% projected salary increases, and a 3% inflation rate. The annual health care inflation rate was assumed to be 8% in 2015, 7.25% in 2016, and are assumed to decrease 0.75% each year until the ultimate rate of 4.5% in 2020.

**NOTE 10 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees; employee medical benefits and natural disasters. The City purchases insurance through commercial carriers and participates in the Florida Municipal Insurance Trust, which is a public entity risk pool. Coverage through the Florida Municipal Insurance Trust includes comprehensive general and professional liability, automobile, property and workers' compensation coverages. The remaining insurance coverage, which includes but is not limited to health and life insurance coverages, is purchased from various commercial carriers.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 10 - RISK MANAGEMENT (Continued)**

The City does not retain a risk of loss as a participant in the public entity risk pool. The City maintains minimal deductibles for insurance policies from its various commercial carriers. There has been no significant reduction in insurance coverage from the prior fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City participates in various federal and state grants. The expenditures of these grants are subject to audit and adjustment by the funding agency or their representatives. If expenditures are subsequently disallowed due to noncompliance with the program, the City may be required to repay the funding agency. The City's management believes that disallowed expenditures, if any, will not be material to the accompanying financial statements.

**NOTE 11 - FUND EQUITY**

*Restricted Net Assets:*

The City has established certain restrictions within the net assets section of the enterprise funds. It is the City's policy to first apply restricted resources for expenditures incurred for which there are restricted and unrestricted resources available. Additionally, the City would first apply committed, followed by assigned amounts and lastly unassigned amounts of unrestricted fund balance when expenditures are incurred.

Restricted net assets at September 30, 2015 consist of the following:

	<u>Utilities</u>	<u>Sanitation</u>	<u>Total</u>
Restricted for impact fees	\$ 1,473,691	\$ -	1,473,691
Restricted for debt service	1,458,154	-	1,458,154
	<u>\$ 2,931,845</u>	<u>\$ -</u>	<u>\$ 2,931,845</u>

*Restricted and Committed Fund Balances:*

The City has established certain restrictions commitments within the fund equity section of the governmental funds. Nonspendable, restricted and assigned fund balances at September 30, 2015, consist of the following:

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 11 - FUND EQUITY (Continued)**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenditures	\$ 276,512	\$ -	\$ 276,512
Permanent fund	-	50,000	50,000
Total nonspendable	<u>\$ 276,512</u>	<u>\$ 50,000</u>	<u>\$ 326,512</u>
Restricted for:			
Debt service	\$ -	\$ 360,417	\$ 360,417
Other	-	3,464	3,464
Total restricted	<u>\$ -</u>	<u>\$ 363,881</u>	<u>\$ 363,881</u>
Assigned for:			
Special revenue	\$ -	\$ 1,348,529	\$ 1,348,529
Capital projects	-	318,779	318,779
Traffic impact	634,261	-	634,261
Total assigned	<u>\$ 634,261</u>	<u>\$ 1,667,308</u>	<u>\$ 2,301,569</u>

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

*Contracts*

The City has contracted with CH2M Hill, Inc. (CH2M) to operate, maintain and manage the City's sewer treatment plant. Fees are payable monthly and are subject to adjustment on a regular basis. A new contract was signed for a five year term commencing October 1, 2014. The agreement will automatically renew for another five year term ending September 30, 2024. The latest contract established a base fee for fiscal year 2015 of \$867,000. It also provides for electrical cost or consumption increases over an established amount (\$192,000) to be shared equally by the City and CH2M. Total fees under the contract for the year ended September 30, 2015, were approximately \$867,000.

*Legal Matters*

The City is involved in pending and threatened legal actions. In the opinion of City management, after consulting with legal counsel, the range of potential loss from all such claims and actions should not materially affect the financial condition of the City.

**CITY OF CRESTVIEW, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)**

Sanitation Collection

In September 2013, the City contracted with Waste Pro of Florida, Inc. for the collection and disposal of residential and commercial solid waste, yard refuse and recycling. The non-exclusive franchise agreement began October 1, 2013 through September 30, 2018. The City is responsible for billings and collections related to the sanitation services and retains 6% of the collections as payment for managing the collections. The remainder of the collections are remitted to Waste Pro of Florida, Inc. Collections remitted to Waste Pro of Florida amounted to approximately \$2.8 million for the year ended September 30, 2015.

Grants

Amounts received or receivable from grant activities are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

In September 2004, Hurricane Ivan impacted Northwest Florida, including the City with considerable damage. Many of the expenses incurred for debris removal and other repairs were reimbursed to the City through grant funding from the Federal Emergency Management Agency (FEMA). In 2005, FEMA reimbursed the City for most of the expenses incurred, but then later determined that certain expenses did not qualify for reimbursement according to the grant. FEMA has notified the City that the City will be responsible for those expenses determined not to be reimbursable. The City will not know the exact amount of funds that are to be repaid to FEMA until FEMA has performed a final close-out audit. The City has estimated the liability to FEMA for non-reimbursable expenses to be \$485,655. This amount is included in Due to other governments on the accompanying financial statements.

**NOTE 13 - PRIOR PERIOD ADJUSTMENTS**

Proprietary Funds: Beginning net position was increased by \$362,107 and \$170,404 in the utility and sanitation funds, respectively, to correct the understatement of accounts receivable related to unrecorded unbilled receivables in the September 30, 2014 financial statements.

Fiduciary Funds: Beginning net position was reduced by \$44,105 in the police and firefighters' retirement plan and increased by \$44,105 in the general employees' retirement plan for two employees who should have been included in the City's general employees' retirement plan but were inadvertently included in the police and firefighters' retirement plan. These employees were transferred to the City's general employee retirement plan during the year ended September 30, 2015.

**CITY OF CRESTVIEW, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 13 - PRIOR PERIOD ADJUSTMENTS (CONTINUED)**

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No.68*, effective for fiscal years beginning after June 15, 2014. The City sponsors two defined benefit pension plans, the Crestview General Employees' Retirement Plan Trust Fund and the Crestview Police Officers' and Firefighters' Plan Trust Fund. The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers sponsoring defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the City's governmental and proprietary funds were increased by \$2,213,711 and \$392,813, respectively, due to the adoption of this Statement.

**NOTE 14 - SUBSEQUENT EVENTS**

Series 2015 Water and Sewer Revenue Bonds were issued in October 2015 at a par amount of \$6,650,000. This issuance refunded a portion of the 2008 Water and Sewer Revenue Bonds. The refunding resulted in a net amount of \$385,822 placed in a money market account reserved for capital projects and also released approximately \$565,000 in sinking and reserve monies, also placed in the capital projects money market account.

Series 2015 Public Improvement Bonds were also issued in October 2015 at a par amount of \$3,165,000. This refunding resulted in the release of sinking and reserve funds of approximately \$100,000, which was also deposited into the capital projects money market account.

Series 2016 Water and Sewer Revenue bonds were issued in January 2016 for the remaining portion of the 2008 Series at a par amount of \$5,450,000. This refunding resulted in an additional \$831,939 being placed in the capital projects money market account, \$553,983 of which represented released sinking and reserve funds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF CRESTVIEW, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
SEPTEMBER 30, 2015**

Schedule of Funding Progress

<u>Fiscal Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
9/30/2015	10/1/2014	\$ -	\$ 1,663,043	\$ 1,663,043	0%	\$ 7,195,784	23.11%
9/30/2014	10/1/2011	\$ -	\$ 881,926	\$ 881,926	0%	\$ 8,313,723	10.61%
9/30/2013	10/1/2011	-	\$ 881,926	\$ 881,926	0%	\$ 8,313,723	10.61%

**NOTE 1 - OTHER POSTEMPLOYMENT BENEFIT PLAN**

The information presented in the required supplementary schedule was determined as part of an actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date is as follows:

Valuation date	October 1, 2014
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Amortization period	30 years
Payroll inflation rate	3.0%
Investment return	4.0%
Healthcare cost trend rate:	
Medical	Decreasing from 8.0% to 4.5% over 6 years

**CITY OF CRESTVIEW, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS**

	General Employees' Retirement Plan			Police Officers' and Firefighters' Retirement Plan		
	2015	2014	2013	2015	2014	2013
<b>Total pension liability</b>						
Service cost	\$ 536,574	\$ 538,171	\$ 498,306	\$ 650,319	\$ 704,926	\$ 645,804
Interest	1,240,902	1,163,671	1,085,340	1,207,893	1,142,097	1,050,053
Differences between expected and actual experience	(196,887)	-	-	(1,131,354)	-	-
Changes of benefit terms					102,466	
Other	-	-	-	-	36,400	-
Change in excess State money	-	-	-	102,691	110,979	-
Benefit payments, including refund of employee contributions	(806,243)	(663,463)	(625,281)	(933,578)	(1,079,145)	(334,643)
Net change	774,346	1,038,379	958,365	(104,029)	1,017,723	1,361,214
Total pension liability, beginning	15,377,822	14,339,443	13,381,078	15,619,537	14,601,814	13,240,600
Total pension liability, ending (a)	<u>\$ 16,152,168</u>	<u>\$ 15,377,822</u>	<u>\$ 14,339,443</u>	<u>\$ 15,515,508</u>	<u>\$ 15,619,537</u>	<u>\$ 14,601,814</u>
<b>Plan fiduciary net position</b>						
Contributions - Employer	\$ 556,922	\$ 756,791	\$ 779,531	\$ 429,649	\$ 576,763	\$ 746,119
Contributions - State	-	-	-	296,275	296,686	291,738
Contributions - Employee	246,579	240,968	242,185	255,354	235,503	264,486
Net investment income	(319,164)	1,396,846	1,537,348	(374,169)	1,512,913	1,596,346
Benefit payments, including refund of employee contributions	(806,243)	(663,463)	(625,281)	(933,578)	(1,079,145)	(334,643)
Administrative expense	(43,915)	(35,530)	(31,453)	(46,407)	(37,041)	(30,354)
Other	-	44,105	-	-	(44,105)	-
Net change	(365,821)	1,739,717	1,902,330	(372,876)	1,461,574	2,533,692
Plan fiduciary net position, beginning	15,972,213	14,232,496	12,330,166	16,776,281	15,314,707	12,781,015
Plan fiduciary net position, ending (b)	<u>15,606,392</u>	<u>15,972,213</u>	<u>14,232,496</u>	<u>16,403,405</u>	<u>16,776,281</u>	<u>15,314,707</u>
Net pension liability, ending (a) - (b)	<u>\$ 545,776</u>	<u>\$ (594,391)</u>	<u>\$ 106,947</u>	<u>\$ (887,897)</u>	<u>\$ (1,156,744)</u>	<u>\$ (712,893)</u>
Plan fiduciary net position as a percentage of the total pension liability	96.62%	103.87%	99.25%	105.72%	107.41%	104.88%
Covered employee payroll	\$ 3,852,802	\$ 3,765,128	\$ 3,784,133	\$ 3,989,908	\$ 3,701,314	\$ 4,132,599
Net pension liability as a percentage of covered employee payroll	14.17%	-15.79%	2.83%	-22.25%	-31.25%	-17.25%

**CITY OF CRESTVIEW, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS**

	General Employees' Retirement Plan			Police Officers' and Firefighters' Retirement Plan		
	2015	2014	2013	2015	2014	2013
Actuarially determined contribution	\$ 473,895	\$ 756,791	\$ 779,531	\$ 542,628	\$ 762,470	\$ 929,835
Contributions in relation to the actuarially determined contributions	556,922	756,791	779,531	623,233	762,470	929,835
Contributions deficiency (excess)	<u>\$ (83,027)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,605)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,852,802	\$ 3,765,128	\$ 3,784,133	\$ 3,989,908	\$ 3,701,314	\$ 4,132,599
Contributions as a percentage of covered employee payroll	14.45%	20.10%	20.60%	15.62%	20.60%	22.50%

Notes to schedule:

Valuation Date 10/1/2013  
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method	Frozen entry age actuarial cost method	
Amortization period	Level percentage pay, closed	
Remaining amortization period	<u>General Employees' Retirement Plan</u> 20 years	<u>Police Officers' and Firefighters' Retirement Plan</u> 19 years
Actuarial asset method	Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.	
Inflation	3% per year	
Salary increases	<u>General Employees' Retirement Plan</u> 6% per year until the assumed retirement age	<u>Police Officers' and Firefighters' Retirement Plan</u> 6.5% per year until the assumed retirement age
Payroll growth	3% per year	
Interest rate	8% per year compounded annually, net of investment related expenses.	

**CITY OF CRESTVIEW, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS (Continued)  
LAST 10 FISCAL YEARS**

Methods and assumptions used to determine contribution rates (Continued):

	General Employees' Retirement Plan	Police Officers' and Firefighters' Retirement Plan
Retirement age	Age 55 and 10 years of service	Earlier of age 55 and 10 years of service or age 52 and 25 years of service
Early retirement	Any member who has reached normal retirement age on the valuation date is assumed to continue employment for one additional year. Commencing with the earliest retirement age (50 for GERP and 45 for POFRP), members are assumed to retire with immediate subsidized benefit at the rate of 5% per year.	
Termination rates	See table below	
Disability rates	See table below. POFRP - It is assumed that 75% of disablements and active member deaths are service related.	
	General Employees' Retirement Plan	Police Officers' and Firefighters' Retirement Plan
Mortality	RP-2000 Mortality table (combined healthy) projected to valuation using scale AA (previously static). Disability mortality set forward 5 years.	RP-2000 Mortality table (combined healthy) who no projection. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
Inflation	3% per year	
Other information	Termination and Disability Rate Tables	
	General Employees' Retirement Plan	Police Officers' and Firefighters' Retirement Plan
	% becoming disabled during the year	% becoming disabled during the year
<u>Age</u>	<u>% Terminating</u>	<u>% Terminating</u>
20	46.3%	15.0%
30	23.3%	12.5%
40	8.8%	6.5%
50	3.2%	2.0%

**CITY OF CRESTVIEW, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE IN INVESTMENT RETURNS  
 LAST 10 FISCAL YEARS**

	General Employees'			Police Officers' and Firefighters'		
	2015	2014	2013	2015	2014	2013
<b>For the year ended September 30,</b>						
Annual money-weighted rate of return, net of investment expense	-1.99%	9.70%	12.28%	-2.25%	9.92%	12.04%

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## **COMBINING FINANCIAL STATEMENTS**

**CITY OF CRESTVIEW, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	<u>Special Revenue Funds</u>				Capital Projects Fund	Total
	Law Enforcement Trust	Community Redevelopment Agency	Debt Service	Permanent Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 20,283	\$ 1,328,514	\$ 54,142	\$ 3,089	\$ 390,774	\$ 1,796,802
Cash and cash equivalents - restricted	-	-	306,275	-	-	306,275
Investments	-	-	-	50,375	-	50,375
Due from other governments	-	-	-	-	26,189	26,189
<b>Total Assets</b>	<u>\$ 20,283</u>	<u>\$ 1,328,514</u>	<u>\$ 360,417</u>	<u>\$ 53,464</u>	<u>\$ 416,963</u>	<u>\$ 2,179,641</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 268	\$ -	\$ -	\$ 98,184	\$ 98,452
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	50,000	-	50,000
Restricted	-	-	360,417	3,464	-	363,881
Assigned	20,283	1,328,246	-	-	318,779	1,667,308
<b>Total Liabilities and Fund Balances</b>	<u>\$ 20,283</u>	<u>\$ 1,328,514</u>	<u>\$ 360,417</u>	<u>\$ 53,464</u>	<u>\$ 416,963</u>	<u>\$ 2,179,641</u>

See independent auditor's report.

**CITY OF CRESTVIEW, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue Funds				Capital Projects Fund	Total
	Law Enforcement Trust	Community Redevelopment Agency	Debt Service Fund	Permanent Fund		
<b>Revenues:</b>						
Taxes	\$ -	\$ -	\$ 191,056	\$ -	\$ 195,728	\$ 386,784
Licenses and permits	-	-	234,517	-	-	234,517
Intergovernmental	-	56,161	309,326	-	15,724	381,211
Interest income	-	4,086	-	-	-	4,086
Miscellaneous	-	-	-	-	11,915	11,915
Total revenues	<u>-</u>	<u>60,247</u>	<u>734,899</u>	<u>-</u>	<u>223,367</u>	<u>1,018,513</u>
<b>Expenditures:</b>						
Current:						
General government	-	73,149	-	-	-	73,149
Public safety	1,378	-	-	-	-	1,378
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	335,020	335,020
Debt service:						
Principal	-	-	513,206	-	-	513,206
Interest	-	-	161,484	-	-	161,484
Total expenditures	<u>1,378</u>	<u>73,149</u>	<u>674,690</u>	<u>-</u>	<u>335,020</u>	<u>1,084,237</u>
Excess revenues over expenditures	<u>(1,378)</u>	<u>(12,902)</u>	<u>60,209</u>	<u>-</u>	<u>(111,653)</u>	<u>(65,724)</u>
<b>Other Financing Sources:</b>						
Transfers in	-	104,919	-	-	30,643	135,562
Transfers out	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>104,919</u>	<u>-</u>	<u>-</u>	<u>30,643</u>	<u>135,562</u>
Net change in fund balances	(1,378)	92,017	60,209	-	(81,010)	69,838
<b>Fund Balances:</b>						
Beginning of year	<u>21,661</u>	<u>1,236,229</u>	<u>300,208</u>	<u>53,464</u>	<u>399,789</u>	<u>2,011,351</u>
End of year	<u>\$ 20,283</u>	<u>\$ 1,328,246</u>	<u>\$ 360,417</u>	<u>\$ 53,464</u>	<u>\$ 318,779</u>	<u>\$ 2,081,189</u>

See independent auditor's report.

## **COMPLIANCE SECTION**

**CITY OF CRESTVIEW, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2015**

<b>State Agency</b>	CFSA	Grantor's	
<b>State Project</b>	Number	Contract	Expenditures
		Number	
<b>Florida Department of Environmental Protection</b>			
Wastewater Treatment Facility Construction	37.077	WW432121	\$ 82,738
Reclaimed Water Impl. Plan	37.039	LP46070	30,000
Total Florida Department of Environmental Protection			<u>112,738</u>
<b>Florida Division of Emergency Management</b>			
FEMA - Large Project	N/A	15-SP-8Z-01-56-01-506	16,364
FEMA - Small Projects	N/A	15-SP-8Z-01-56-01-506	9,620
FEMA - Small Projects	N/A	15-SP-8Z-01-56-01-506	3,188
Total Florida Division of Emergency Management			<u>29,172</u>
<b>Florida Department of Economic Opportunity</b>			
Community Development Projects	40.038	HL022	<u>1,000,000</u>
Total Expenditures of State Financial Assistance			<u><u>\$ 1,141,910</u></u>

Note: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

See the accompanying notes.

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## **OTHER REPORTS AND SCHEDULE**

**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**

To the Honorable Mayor and Members of the  
City Council  
City of Crestview, 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 City of Crestview, Florida (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those 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.

Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 is 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.



Fort Walton Beach, Florida  
July 29, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH STATE PROJECT AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

**Report on Compliance for the State Project**

We have audited the City of Crestview, Florida's (the City's) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the City's State project for the year ended September 30, 2015. The City's State project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the City's State project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a State project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

We believe that our audit provides a reasonable basis for our opinion on compliance for the State project. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on the State Project**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its State project for the year ended September 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect its State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Saltmarsh Cleaveland & Gend*

Fort Walton Beach, Florida  
July 29, 2016

**CITY OF CRESTVIEW, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
STATE PROJECT  
YEAR ENDED SEPTEMBER 30, 2015**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the basic financial statements of the City of Crestview, Florida.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance of the City of Crestview, Florida, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over a State project was reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each State Project and on Internal Control Over Compliance in Accordance with Chapter 10.550, *Rules of the Auditor General*.
5. The auditor's report on compliance for the State project for the City of Crestview, Florida expresses an unmodified opinion on the state project.
6. Our audit disclosed no findings related to state projects required to be disclosed under Chapter 10.557 for local government entities.
7. The program tested as a major state project was CSFA No. 40.038, Florida Department of Economic Opportunity - Community Development Projects.
8. The threshold for distinguishing Types A and B programs is \$300,000, for major state projects.

**CITY OF CRESTVIEW, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2015**

**B. FINANCIAL STATEMENT FINDINGS**

None

**C. FINDINGS AND QUESTIONED COSTS - STATE PROGRAMS**

None

**CITY OF CRESTVIEW, FLORIDA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2015**

**2014-001 Financial Reporting**

**Finding** - Adjusting entries were required during the audit to correct certain account balances including beginning net position, beginning fund balances, compensated absence accruals, retainage payable and capital expenditures.

**Current Status** - The City's standard annual closing procedures appear to have functioned as intended and close-out transactions appear properly recorded. The City's internal controls identified areas where financial statement adjustments were necessary in advance of the audit.

**2014-002 Other Post-Employment Benefit (OPEB) Liability**

**Finding** - The City did not have an actuarial valuation for the year ended September 30, 2014.

**Current Status** - For the year ended September 30, 2015, the City had an updated actuarial study performed and the OPEB liability balances have been adjusted on the various City financial statements.

## MANAGEMENT LETTER

Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Crestview, Florida (the City), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated July 29, 2016.

### Auditor's Responsibility

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; 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*, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Account's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated July 29, 2016, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

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

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

### **Financial Condition**

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

### **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City 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 these two reports were in agreement.

### **Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our findings and recommendations are reported in the Schedule of Findings and Questioned Costs.

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.

Honorable Mayor and Members of the  
City Council  
City of Crestview, Florida

**Purpose of this Letter**

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



Fort Walton Beach, Florida  
July 29, 2016

**INDEPENDENT ACCOUNTANT'S REPORT  
ON COMPLIANCE WITH SECTION 218.45, FLORIDA STATUTES**

Honorable Mayor, City Council Members  
City of Crestview, Florida

We have examined the City of Crestview, Florida's (the City) compliance with Section 218.415, Florida Statutes during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

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

*Saltmarsh Cleaveland & Gund*

Fort Walton Beach, Florida  
July 29, 2016