



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF
THE CITY OF NICEVILLE, FLORIDA**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

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FINANCIAL REPORT
OF
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**FISCAL YEAR ENDED
SEPTEMBER 30, 2015**

Prepared By:
Finance Department

Dan Doucet
City Clerk

**The City of Niceville, Florida
PRINCIPAL OFFICIALS
Year Ended September 30, 2015**

CITY COUNCIL 2014-2015

Judith Boudreaux

Daniel Henkel

Heath Rominger

Bill Schaetzle

Sal Nodjomian

CITY OFFICIALS

Mayor

Randall Wise

City Manager

Lannie Corbin

City Clerk

Dan Doucet

City Attorney

Dixie D. Powell

Director of Public Works

Bruce Price

I. INTRODUCTORY SECTION

- **TABLE OF CONTENTS**
- **LETTER OF TRANSMITTAL**
- **GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING**
- **ORGANIZATIONAL CHART**

**CITY OF NICEVILLE, FLORIDA
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2015**

	Page	Exhibit
TITLE PAGE		
CITY OFFICIALS		
I. INTRODUCTORY SECTION		
Table of Contents	i	
Letter of Transmittal	iii	
GFOA Certificate of Achievement	xvi	
Organizational Chart	xvii	
II. FINANCIAL SECTION		
Independent Auditors' Report	1	
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	4	
B. BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Position	17	I
Statement of Activities	19	II
Fund Financial Statements		
<u><i>Governmental Funds</i></u>		
Balance Sheet	21	III
Reconciliation of the Balance Sheet to the Statement of Net Position	23	IV
Statement of Revenues, Expenditures and Changes in Fund Balance	24	V
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance	25	VI
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	26	VII
<u><i>Proprietary Funds</i></u>		
Statement of Net Position	27	VIII
Statement of Revenues, Expenses and Changes in Net Position	29	IX
Statement of Cash Flows	30	X
<u><i>Fiduciary Fund</i></u>		
Statement of Fiduciary Net Position – Agency Fund	32	XI
Notes to the Financial Statements	33	

**CITY OF NICEVILLE, FLORIDA
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2015**

	Page	Statement/ Table
II. FINANCIAL SECTION (CONTINUED)		
C. INDIVIDUAL FUND STATEMENT		
<i>Fiduciary Fund</i>		
Statement of Changes in Assets and Liabilities – Agency Fund	71	A-1
D. REQUIRED SUPPLEMENTARY INFORMATION		
<i>Pension</i>		
Schedule of Proportional Share of Net Pension Liability – Florida Retirement System	72	
Schedule of Proportional Share of Net Pension Liability – Health Insurance Subsidy	73	
Schedule of Contributions – Florida Retirement System	74	
Schedule of Contributions – Health Insurance Subsidy	75	
III. STATISTICAL SECTION (UNAUDITED)		
Net Position by Component	76	1
Changes in Net Position	77	2
Fund Balances – Governmental Funds	79	3
Changes in Fund Balances – Governmental Funds	80	4
Assessed Value and Actual Value of Taxable Property	81	5
Property Tax Levies and Collections	82	6
Property Tax Rates – Direct and Overlapping Governments Per \$100 of Assessed Value	83	7
Direct and Overlapping Governmental Activities Debt	84	8
Ratios of Outstanding Debt by Type	85	9
Pledged Revenue Coverage	86	10
Principal Property Taxpayers	87	11
Demographic and Economic Statistics	88	12
Operating Indicators by Function/Program	89	13
Full-Time Equivalent – City Government Employees by Function/Program	90	14
Capital Asset Statistics by Function/Program	91	15
Principal Employers – Current Year	92	16
IV. COMPLIANCE SECTION		
Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill	93	
Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	94	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	95	
Management Letter	97	

Lannie L. Corbin
City Manager



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“Home of the Boggy Bayou Mullet Festival”

Honorable Mayor, City Council Members
and Citizens
City of Niceville, Florida

The comprehensive annual financial report of the City of Niceville, Florida for the fiscal year ended September 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operation of the government. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The Comprehensive Annual Financial Report (CAFR) is presented in four sections as follows:

- *Introductory section* – includes this transmittal letter, a copy of the GFOA Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended September 30, 2014, and the City’s organizational chart of principal officials.
- *Financial section* – includes the Independent Auditor’s Report, Management’s Discussion and Analysis (MD&A), basic financial statements, individual fund statement, and required supplementary information.
- *Statistical section (unaudited)* – presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the City’s overall financial health.
- *Compliance section* – includes a Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill, the Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*, 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*, and the Management Letter.

Generally accepted accounting principles require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter is designed to complement the MD&A and should be read in conjunction with it. The City of Niceville’s MD&A can be found immediately following the Independent Auditor’s Report, located in the financial section.

CITY PROFILE

The City provides a full range of services. These services include police and fire protection, protective inspections, emergency and disaster relief, sanitation, construction and maintenance of highways, streets and infrastructure, recreational activities and cultural events. The City evaluated various other entities within the vicinity of the City, which could possibly be subject to inclusion as a component unit within the City's financial statements under criteria established to define the reporting entity. The Niceville – Valparaiso Regional Sewer Board, Inc., the Niceville Housing Authority and the East Niceville Fire District have not met the established criteria for inclusion in the reporting entity and, accordingly, are excluded from this report. However, the City is a joint venture participant in the Niceville - Valparaiso Regional Sewer Board, Inc. and, as such, does include its respective share of the joint venture profits and losses within the City's Water and Sewer Enterprise Fund.

OKALOOSA COUNTY PROFILE

Nestled in the central portion of the 100 mile long “Miracle Strip” area of the Northwest Florida Panhandle, Okaloosa County is known as the Playground of the Gulf Coast. Whether it's fishing, boating, swimming, sunning, sailing, sports, scuba diving, or just relaxing, we have it all in this land of sunshine!

Our natural, unspoiled, sugar white beaches are the most beautiful in the world. Blue green waters lap the brilliant white sands of the Gulf of Mexico, which is why it is called the "Emerald Coast" - a true jewel to the eye of the beholder. Quiet bayous, lazy rivers and thick green forests complement the dazzling shoreline, making this region an all around place of beauty, enjoyment and peacefulness.

Okaloosa County encompasses an area of 1,003 square miles, including 59 miles of inland waters and has a total population of approximately 182,000. An estimated 30,500 people live in the Niceville area. The Eglin Military Reservation, three miles west of Niceville, is the world's largest installation of its kind. Its facilities, including undeveloped acreage, are located in the central and southern portions of the County.

This region provides a recreational paradise. The bayous and rivers surrounding Niceville flow into Choctawhatchee Bay (a 30 mile long fisherman's paradise providing flounder, blue crab, speckled trout, red fish, mullet, and drum). Eight miles across the bay is the Destin East Pass which provides deep-sea anglers easy access to the Gulf of Mexico, breeding ground of much of the South Atlantic's food and game fish. These same waters offer a sparkling setting for swimming, waterskiing, scuba diving, boating, leisure sailing and competitive racing and regattas sponsored by many area sailing clubs. The local woods and forests offer camping and hiking facilities as well as excellent deer, turkey, duck, quail and dove hunting.

There are three outstanding community golf courses. Eglin Air Force Base maintains two courses in the heart of Niceville. Rocky Bayou Country Club has a challenging course in surroundings of unsurpassed beauty and Bluewater Bay offers 36 holes of golf on one of the best courses in the Southeast.

HISTORY

Early Indian cultures, Spanish explorers, and pirates all contributed to the colorful past of this part of Florida. In the first years of settlement, lumber and naval stores (tar, pitch, spirits of turpentine and resin) were abundant in this region and furnished much of the livelihood for the sparse population. The early pioneers were self-sufficient hunters, farmers, and fishermen with water as their sole means of transportation.

Okaloosa County was created on September 7, 1915, by an act of Florida Legislature from parts of two other counties. The name “Okaloosa” is an Indian derivation meaning water (oka) and black (lusa). Another Indian derivative means pleasant place.

CLIMATE

One of the most valued natural assets of the area is the semitropical climate. With four mild seasons and an average annual temperature of 67.2 degrees, it provides just enough temperature change to mark the passing of the seasons. Summer high temperatures range from 80 to 91 degrees and winter highs range from 50 to 75 degrees. Rainfall averages between 50 and 60 days per year providing continuous outdoor enjoyment throughout each season.

NICEVILLE AND VALPARAISO - HISTORY AND FACTS

Niceville and Valparaiso (the “Twin Cities”) are surrounded by the majestic waters of Boggy Bayou, Tom’s Bayou, Valparaiso Bay and Choctawhatchee Bay as well as the east boundaries of the Eglin Military Installation. However, these cities share more than just common boundaries. They are united in their civic organizations, Chambers of Commerce, educational programs and medical facilities for the betterment of their communities.

Indian and Spanish predecessors have left a history of romantic folklore. Moss-laden oaks tower over the clean, sandy bays that produce some of the most delicious mullet in the country which is celebrated locally each October during the “Boggy Bayou Mullet Festival.”

Niceville’s modern history began in the 1800s as a tiny fishing village named Boggy, for the bayou on which it was located. The fishing industry thrived on the tasty mullet that was salted, sold, traded and used as food by resident fishermen and their families. As the area grew, the name Boggy was deemed unattractive by residents, so in 1910 the city was renamed Niceville. In 1919 the name was changed to Valparaiso, Spanish for “Vale of Paradise.”

During this time, John Perrine was developing a new community only a mile outside of Valparaiso on the 16,000 acres he had purchased. Originally hailing from Valparaiso, Indiana, he named his city “New Valparaiso” after his hometown. With similar names, complications developed between the two adjacent communities, particularly affecting mail delivery. In 1925 the situation was rectified when Valparaiso renamed itself Niceville and New Valparaiso became Valparaiso, as they are today.

ECONOMIC CONDITION AND OUTLOOK

The City of Niceville, Florida, is located in the northwestern “Panhandle” area of the state, approximately 60 miles east of Pensacola, in central Okaloosa County. It is adjacent to Eglin Air Force Base, the world’s largest military reservation and is the County’s largest employer which performs munitions development and testing. The Base has an economic impact on the area with numerous defense industry affiliated personnel in the area providing hi-tech resources for a number of businesses. Due to its geographic location combined with the presence of Eglin Air Force Base, the City has not experienced an economic recession in a measurable degree.

Located outside the City, is the new \$30 million North West Florida Regional Airport with a more spacious passenger terminal and built to handle the largest jets. Six airlines operate flights between the airport and Atlanta, Memphis, St. Louis, Dallas, Houston and Tampa, serving 520,000 passengers a year. The Department of Defense has recommended adding more than 5,000 military positions to Eglin Air Force Base over the next six years, which is projected to add an additional 15,000 residents to our area.

Technology-based industry is growing more important to the areas, making Okaloosa County a technology leader in Northwest Florida, and home to the University of Florida’s Graduate Engineering and Research Center.

Features that make Niceville a wonderful place to live also make it a good place to do business. Hardworking, dependable, educated people are available for employment. Niceville, the home of the Boggy Bayou Mullet Festival, was voted last year as the best place to raise kids by Business Week Magazine. In addition, the active and retired military personnel who live in this area greatly stimulate the economy. Many residents have served our great country all over the world and have chosen Niceville and Okaloosa County as the place they prefer to make their home. Following are related statistics concerning labor and industry and educational achievements.

LABOR AND INDUSTRY

Opportunities abound for continued advanced education. The University of West Florida, Troy University and the University of Florida all have extension centers in Okaloosa County. Northwest Florida State College (NWFSC), located in Niceville, continues to set the standard for labor training with its Costa Leadership Institute which provides corporate training and consulting for local business and industry, as well as professional development seminars for individuals, to augment the training provided by the college’s more than 70 career and certificate programs of study and baccalaureate degrees. Additionally, Florida’s Great Northwest, an independent economic development organization, is housed at the Niceville campus. The organization works to market and brand the 16-county Northwest Florida region as a globally competitive location for business and to work with regional partners to recruit new jobs and investment throughout Northwest Florida.

The Center, located on the Niceville campus, works closely with local economic development groups and the local Private Industry Council in providing customized training for new

companies as well as in-house training for expanding firms. With its proximity to Interstate 10 and excellent connections to secondary roads, Okaloosa County is one day closer to most major markets than the rest of the state and can provide 24 hour or same day delivery to southeastern markets. Deep-water ports of Pensacola, Panama City and the Gulf Intercoastal Waterway provide competitive, convenient access to markets through barge traffic on the Apalachicola River.

Over 52% of the county's population is between the prime working ages of 15 and 44 years old and continues to experience steady growth with the most significant increase in the Niceville and Valparaiso area. Okaloosa County's average hourly manufacturing wage (excluding military and government) is significantly lower than the national average.

EDUCATIONAL ACHIEVEMENTS

Niceville schools are considered among the best in the county, and even the state. Niceville High School (NHS) is recognized by federal education officials as one of the most outstanding high schools in the nation and an example of innovative and successful educational methods. The United States Department of Education has honored Niceville High School twice in recent years as a "New American High School."

Niceville High School is consistently at the top when it comes to academics, athletics and extracurricular activities. Seniors earn in excess of \$10 million in scholarships every year. Recognized throughout the state and nation, Niceville High School's reputation as a formidable foe continues to strengthen in athletic competitions and academic competitions. The administration along with an instructional staff of over 108, and a non-instructional staff of almost 40, are successfully educating approximately 1893 students every day. Accredited by the Southern Association of Colleges and Schools, Niceville High School has been named a New American High School by the U. S. Department of Education, acclaimed nationally as a Blue Ribbon School of Excellence and rated an "A" school in 2001, 2002, 2003, 2004, 2006, 2007, 2008, 2010, 2011, 2012, and 2015 by Florida's Commissioner of Education. Niceville High School is the recipient of the Florida Department of Education's prestigious Five Star Award given to schools which show evidence of exemplary community and parent involvement.

Niceville High School strives to meet the needs of its students by offering extensive courses in Art, English, Family and Consumer Science, Foreign Language, Gifted Studies, Leadership, Math, Music, Physical Education, ROTC, Science and Social Studies. It offers 21 Advanced Placement courses as well as 10 courses through the Academic International Certificate of Education (AICE) Program from the University of Cambridge in Cambridge, England. In addition, Niceville High School is home to a state-of-the-art Information Technology Institute which offers 17 industry certifications, giving its students a financially viable skill. Classes are also offered for those students needing additional resources in reading, math and science through our Intensive Studies Program. Niceville High School's aim is to prepare students for a successful transition into college, vocational school or the work place. All of its programs are open to any student up for the challenge. Visit its website at www.nicevillehighschool.org to learn more about the many outstanding opportunities unique to Niceville High School.

The Collegiate High School, located on the Niceville Campus of Northwest Florida State College, consistently ranks in the top 5 high schools in Florida on DOE school accountability measures and was the highest scoring “A+” school in Florida in 2010. The school has also been named a national Blue Ribbon School. The school enrolls 275 students in grades 10, 11 and 12 in an advanced program of study that provides the opportunity to earn a traditional high school diploma and a 2-year college degree or transferable college credits simultaneously.

Ruckel Middle School, a recent United States Department of Education Blue Ribbon School of Excellence recipient, offers students the International Baccalaureate program to help raise academic standards and prepare students for companion programs at Niceville High School. Ruckel Middle School Knowledge Masters recently took first place in the state, as well as nationally and internationally while competing against 815 other middle school teams worldwide in the Knowledge Masters Open annual competition.

Advanced math and science courses are offered for high school credit to advanced eighth grade students at Ruckel, Lewis and Destin middle schools. Academic and social organizations exist for middle school students, as do a variety of athletic programs, including interscholastic cross-country, basketball for both boys and girls, football for boys, and volleyball for girls.

Bluewater, Edge, and Plew are the three public kindergarten to fifth grade (K-5) elementary schools. These schools routinely outscore other district schools on standardized student performance tests. Plew Elementary is also the first district school to offer a K-5 International Baccalaureate elementary program. In addition, Edge Elementary was named one of the 35 top Title 1 schools in the nation by the U.S. Department of Education in 2004. Niceville is also home to two private schools; Rocky Bayou Christian School and Agape Christian Academy. Rocky Bayou enrolls approximately 800 students on two campuses for pre-kindergarten through twelfth grade classes featuring an environment based on religious principles. The school employs a two track grade system with one track for advanced students and offers programs for learning disabled students. Agape Christian Academy, which enrolls approximately 60 students for K-5, focuses on small classrooms with individual student attention. Okaloosa STEMM Academy was Valparaiso Elementary. This is the center for STEMM education in the district.



*Performing Arts Center at
Northwest Florida State College*

Northwest Florida State College is a public college, accredited to award bachelors and associate degrees, which serves more than 16,500 students annually at seven area campuses and centers. The college’s 265 acre main campus is located at 100 College Boulevard in Niceville. This campus houses the college administration and major facilities such as the Mattie Kelly Fine and Performing Arts Center, a sports complex, Learning Resources Center (library) and facilities for the college’s various health instructional programs such as nursing (RN and BSN), dental assisting, radiography, EMT and Paramedic. The Mattie Kelly Fine and Performing Arts Center at



***Northwest Florida State College
Entire Campus (left) and Community Services Complex/EOC (right)***

NWFSC in Niceville is the region’s premiere venue for outstanding entertainment and hosts Broadway’s best touring shows, art exhibits, and the Northwest Florida Symphony Orchestra, as well as music and cultural performances of all genres. The \$25 million, 12-acre complex feature a main stage theater with seating up to 1,650, a smaller theater venue with seating for 195, art galleries which feature touring art exhibits and house the college’s multi-million dollar permanent art collection, a recital hall, a visual arts building, a music wing, an amphitheater which accommodates up to 3,500 people for outdoor events, and other cultural and instructional facilities.

MAJOR INITIATIVES

Fire Insurance Classification

Our Fire Insurance Protection Classification is a low Class 5 which provides for a lower property insurance premium calculation for many insured properties within the City.

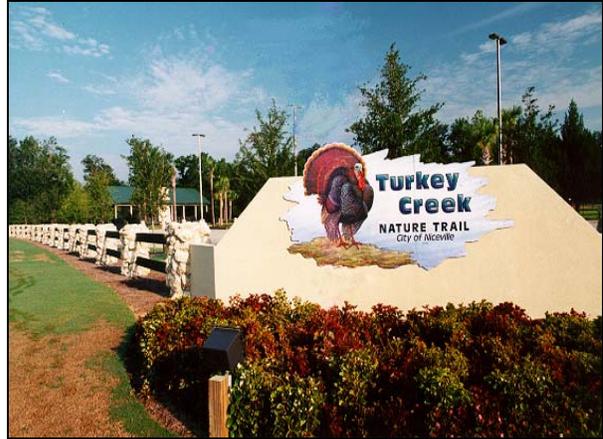
National Flood Insurance Program

As part of the National Flood Insurance Program’s (NFIP) Community Rating System (CRS) program, the City initiated a Stream Maintenance Standard Operating Procedure (SOP) which specifies responsibilities and procedures for inspecting and cleaning the creeks, streams, channels, and ditches in the City of Niceville. These procedures help insure proper functioning of the City’s drainage systems.

Recreation Trails

The ongoing expansion of recreational trails winding throughout the City is being extended along Valparaiso Boulevard as a result of a donation of approximately 30 acres of land containing a flowing stream and a wetland area for recreation use. The City has received four grants from the Department of Environmental Protection’s (DEP) Florida Recreational Development Assistance Program (FRDAP) for our Turkey Creek Walk project. We have

completed construction of a pavilion, deck, bridges across the 4,000 feet of elevated boardwalk up the Creek. Okaloosa County also provided construction of the project. The City received partnership money from the U.S. Fish & Wildlife Service to pay for interpretative signage describing native flora and fauna along the boardwalk. In addition, we received a grant under the Florida Communities Trust Preservation 2000 Program and purchased a parcel of land at the northern end of the Creek. We were awarded two FRDAP grants to develop facilities on the parcel at the northern end of the Creek. Construction of these facilities are complete and include an access trail and observation deck, restroom facilities, driveway access from College Boulevard and parking/landscaping improvements.



Turkey Creek Nature Trail

Recreation Facilities

The Youth Center includes a bicycle facility, a skateboard arena pad, a basketball court, installed equipment, outdoor lighting system and utilities, access walkways, bathrooms and other buildings to include a vending area. Experienced personnel are on duty during the facility's hours of operation to ensure safety for everyone. The City received two FRDAP grants totaling \$262,500 to help fund this facility.

Also located in the Niceville Civic Complex is the Children's Park. The Children's Park is open five days each week and staffed for the safety of our guests. There is emphasis on site accessibility and mobility for people of all ages and physical conditions while providing hazard-free facilities and numerous modern play stations that provide both safety and fun. The playground's construction was primarily funded by private and corporate donations, underscoring Niceville's strong community spirit.



Children's Park

In 2006, the City added a water splash park to the facility and children of all ages love to cool off during the warm weather here in our City. An estimated three hundred to five hundred guests visit and enjoy the park in an average week. Articles featuring the park have appeared in national recreation and park association magazines, and landscape architect publications. This park has truly added to the quality of life in Niceville.

Niceville Library

The Niceville Public library, opened in 2000 as a \$2.5 million, 17,500 square foot state-of-the-art facility. The City received a \$500,000 construction grant from the State of Florida to help build this library for our community. The library draws a constant stream of visitors daily while contributing to the overall beauty within the heart of the City. The City was then awarded a \$400,000 construction grant for the expansion of the library and in December 2006, the library opened the doors to the 5000 square foot addition to give us a 22,500 square foot facility. We have approximately 22,000 memberships, an estimated 70,000 items in the collection, and the library circulates approximately 200,000 items each year. The library is a member of the Okaloosa County Public Library Cooperative and is located in the heart of the City complex.



Exterior of Niceville Library



Interior of Niceville Library

Niceville Community Center

The Granny Edge Community Center, located next door to the Niceville Library on Partin Drive, can comfortably accommodate 250 people in the big hall and 20 people in the classroom. The building is used year-around for weddings, receptions, meetings, presentations, and other functions. Visitors to the complex enjoy sitting in the courtyard in front of the Community Center to relax and enjoy the weather, sometimes with a meal and a friend.



Lion's Park

Lion's Park, named because of its affiliation with the local Lion's Club, is one of the favorite local swimming and boat launching areas in Niceville. In the early 1950s, members of the local Lion's Club renovated this area and turned it over to the City to maintain. The City constructed several gazebos and water fountains and every 4th of July the annual fireworks display is held in the waters adjacent to the park.

RECREATION/OPEN SPACE EXISTING NICEVILLE FACILITIES

<u>Facility</u>	<u>Classification</u>	<u>General Activities Provided</u>	<u>Size</u>
Palm Park	Mini Park	Open space	0.3 acres
Pinewood Park	Mini Park	Open space	1.5 acres
Sherry Park	Mini Park	Open space	0.6 acres
Total Mini Parks			<u>2.4 acres</u>
Cedar Park	Neighborhood	Swings, gazebo	0.5 acres
Dana Park	Neighborhood	Open space	3.6 acres
Finck & 21 st Street Park	Neighborhood	Swings, benches, tables	0.5 acres
Kelly Hill Park (Eddy Howell)	Neighborhood	Basketball court, play equipment	1.0 acres
Kiwanis Park	Neighborhood	Open space, fishing, swings	1.2 acres
Magnolia Shores Park	Neighborhood	Open space	1.5 acres
McElroy Court East Park	Neighborhood	Open space	0.3 acres
Meigs Park	Neighborhood	Tables, tennis courts, basketball courts, playground Equipment	6.0 acres
Total Neighborhood Parks			<u>14.6 acres</u>
Children's Park	Community	Benches, gazebos, playground equipment, tables, Amphitheater	1.0 acres
City Hall Park	Community	Gazebos, swings, benches, golf putting green	0.5 acres
Edgewater North Park	Community	Open space	4.0 acres
Leota Miller Park	Community	Open space	4.5 acres
Lion's Park	Community	Boat ramps, picnic tables, gazebos	2.0 acres
Mullet Festival Site	Community	Open space	36.3 acres
Niceville City Park	Community	Tables, baseball fields, concession stands	8.0 acres
SR 20 Wildflower Park	Community	Open space, benches	1.0 acres
Shirk's Bayou	Community	Open space	1.0 acres
Twin Oaks Park	Community	Baseball field, 2 soccer fields, concession stands, horseshoe pits, multi-use fields	10.6 acres
Turkey Creek Park	Community	Open space and conservation area, pavilion, tables, grills, bridge, walkway, bathrooms	20.0 acres
Youth Center	Community	Skateboarding, bicycling, skating, concession area, picnic tables, paintball, facility	5.0 acres
Total Community Parks			<u>93.9 acres</u>
Pontevedra Park	Undetermined	Open space	6.0 acres
Grand Total			<u>116.9 acres</u>

DEPARTMENT FOCUS

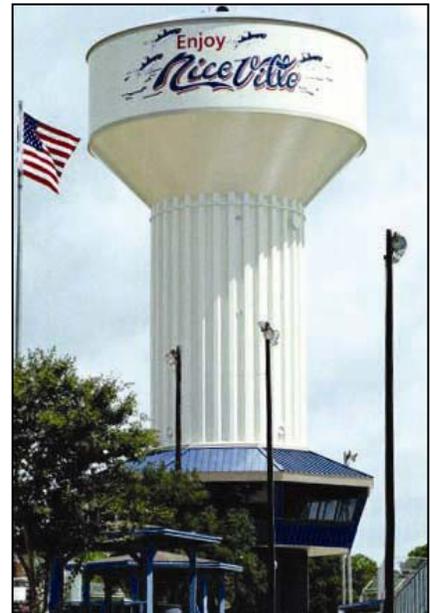
Although the City has designated departments within the organizational structure, we do not single out individual departments for recognition, but, view our organization as one unit. Under this team concept, we have expanded a soccer field complex into off-season utilization of two additional little league softball fields and have constructed our recreation trails utilizing in-house personnel and equipment. We have a City-wide beautification program involving planting wild flowers along the right of way, shrubs, flowers and trees in the highway medians and a series of benches and swings for pedestrians to sit, rest and reflect during their walking or jogging program.

We saved over \$100,000 in construction costs for our skate park through the in-house concept. This approach has instilled an infectious pride throughout the departments that has gone onward to the citizens and visitors of our community. Our beautification efforts have been used by representatives from the Florida Department of Transportation as guidelines for other state municipalities to implement.

FOR THE FUTURE

Infrastructure improvements include the installation of an 8" water main for the Bayou Plaza Project; the installation of several new Fire Hydrants; a 750,000 Gallon Elevated Water Tank; and other miscellaneous water main improvements.

Stormwater/drainage improvements are planned for Valparaiso Boulevard Drainage Swale improvements; Baptist Church Drainage & Vault Inspection; Juniper Ave; North Cedar Drainage Improvements; Kelly Road Outfall System Replacement; Dana Pointe/Dolphin Point Outfall Replacement; Pine Court Outfall Pipe Replacements; Pine Lake control Structure and Pipe; Roscommon Blvd & Rocky Bayou Road Drainage Improvements; and Palm Estates Pipe Replacement. The new City-Wide "Fixed Based Meter Reading System" is now operational which eliminates the practice of reading meters manually allowing all readings to be transmitted via the internet via a cellular back hall. Water meters are now read electronically which eliminates the need to employ meter readers. In addition, city personnel changed out over 130 large meters to make them compatible with the fixed based system. Plans include the resurfacing of several streets, and upgrading technology in City departments.



OTHER INFORMATION

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Warren Averett, LLC, Certified Public Accountants & Consultants, was selected by the City Council. The auditor's report on the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information is included in the financial section of this report. The auditor's reports related to compliance with laws and regulations and to the evaluation of the internal control structure are included in the compliance section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2014. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

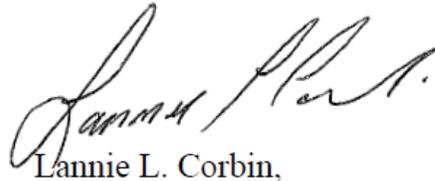
A Certificate of Achievement is valid for a period of one year only. This was the 29th consecutive year that the City has received this prestigious award. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council and the City Clerk, Mr. Dan Doucet, preparation of this report would have not been possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Lannie L. Corbin". The signature is fluid and cursive, with the first name being the most prominent.

Lannie L. Corbin,
City Manager

May 20, 2016



Government Finance Officers Association

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Presented to

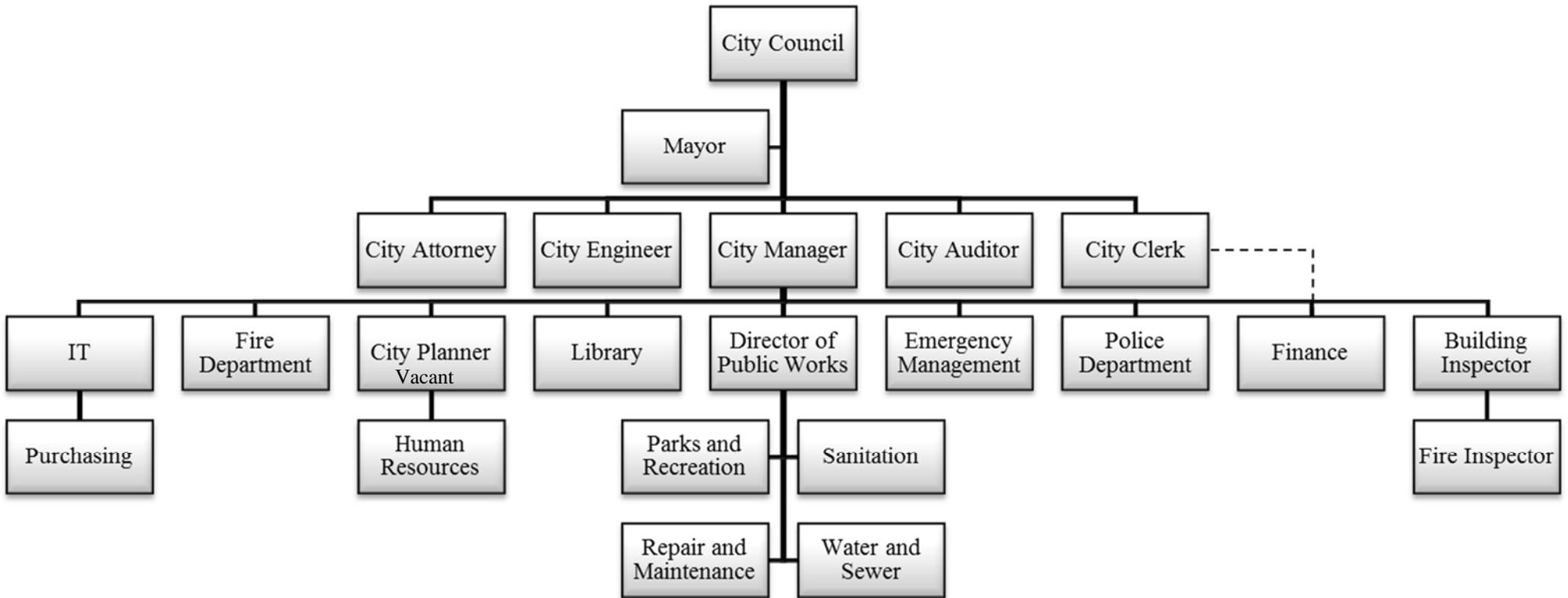
**City of Niceville
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

The City of Niceville, Florida
ORGANIZATIONAL CHART
Year Ended September 30, 2015



II. FINANCIAL SECTION

- **INDEPENDENT AUDITORS' REPORT**
- **MANAGEMENT'S DISCUSSION AND ANALYSIS**
- **BASIC FINANCIAL STATEMENTS**
 - **Government-Wide Financial Statements**
 - **Fund Financial Statements**
 - **Notes to Financial Statements**
- **INDIVIDUAL FUND STATEMENT**
- **REQUIRED SUPPLEMENTARY INFORMATION**

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council Members
City of Niceville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Niceville, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Niceville, Florida, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary fund information 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 14, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are 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 4-16, Schedules of Proportionate Share of Net Pension Liability for the Florida Retirement Systems and Health Insurance Subsidy on pages 72-73, and Schedules of Contributions for the Florida Retirement Systems and Health Insurance Subsidy on pages 74-75 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 of Niceville, Florida's basic financial statements. The Introductory Section, Individual Fund Financial Statement, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill on page 93 and Individual Fund Financial Statement on page 71 are the responsibility of management were derived from and relates 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 Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill and Individual Fund Financial Statement are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2016 on our consideration of the City of Niceville, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Niceville, Florida's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
May 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Niceville, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-xv of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflow of resources by approximately \$54.9 million (net position), and represents an increase of \$3.3 million (or 6%) from the prior year before restatement. The City implemented Governmental Accounting Standards Board Statement (GASB) 68, *Accounting and Financial Reporting for Pensions – an amendment to Statement 27* and GASB 71 during the 2015 fiscal year, resulting in a restatement lower in total net position of roughly \$5.1 million. These Statements enhance the financial reporting by state and local governments for pensions. They also improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. These statements require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. As predicted, the implementation has had a significant impact on the financial position and changes in net position of the City.
- Of the \$54.9 million of net position at September 30, 2015, \$31.2 million represents investments in capital assets (e.g. land, construction in progress, infrastructure, building, machinery and equipment) less any related debt used to acquire these assets that is still outstanding, \$8.4 million is restricted for future obligations, and \$15.3 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The business-type activities increased \$2.9 million (or 8%), and the governmental activities increased \$398 thousand (or 3%) over prior year.
- The City's governmental funds reported ending fund balance of \$6.2 million, which represents a \$311 thousand (or 5%) increase over prior year. Approximately \$2.8 million is restricted or assigned for specific purposes, and \$3.4 million of ending fund balance, is available for spending at the discretion of the City Council. This represents 34% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of the Governmental Accounting Standards Board (GASB) Statement No. 34 Financial Statements is on both the City as a whole (government-wide), and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year-to-year, government-to-government), and enhance the City's accountability.

This discussion and analysis intends to serve as an introduction to the City's basic financial statements. The City'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

Designed to be corporate-like, the government-wide financial statements consolidate governmental and business-type activities into two columns, which add to a total for primary government. This provides readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflow of resources, liabilities, and deferred inflow of resources, with the difference among the components reported as net position. This 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.

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 that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government (including city manager, city clerk, human resources, finance, purchasing, building inspector and non-departmental expenses), public safety (including police and fire), transportation (including public works, administration, streets, repairs and maintenance), internal service (central garage), human service (animal control) and culture and recreation (parks, library, community center and youth center). The business-type activities of the City include water and sewer, sanitation and stormwater utility management. The government-wide financial statements are found on pages 17-20 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 21-26 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 financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two governmental funds (General Fund and Community Redevelopment Fund). Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund and Special Revenue Fund. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided to demonstrate compliance with the budgets.

Proprietary Funds

Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its utility operations (water operations and distribution, sewer collections and treatment), sanitation, and stormwater utility management operations.

The City's major proprietary funds include water, sewer and sanitation. The City has one non-major proprietary fund, which represents stormwater utility management operations. Found on pages 27-30 of this report are the basic proprietary fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government, individuals or private organizations. The City has an Agency Fund that is used to account for resources held pursuant to the Katie W. Moody Estate and Will for scholarships. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. Found on page 31 of this report is the Agency Fund financial statement.

NOTES TO 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. Beginning on page 32 of this report are the notes to the financial statements.

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, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$54.9 million (net position) for the fiscal year ended 2015, as reported in Table 1.

By far the largest portion of the City's net position, \$31.2 million (or 57%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City reports investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Table 1
City of Niceville, Florida
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2015 AND 2014
(In Thousands of Dollars*)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 6,518	\$ 6,226	\$ 26,370	\$ 24,918	\$ 32,888	\$ 31,144
Capital assets	15,498	16,083	31,553	31,523	47,051	47,606
Total assets	22,016	22,309	57,923	56,441	79,939	78,750
Deferred charges related to pensions	634	-	263	-	897	-
Deferred charges on refunding	-	-	189	189	189	189
Total deferred outflow of resources	634	-	452	189	1,086	189
Long-term liabilities outstanding	4,797	2,524	16,936	17,785	21,733	20,309
Other liabilities	863	345	2,412	1,551	3,275	1,896
Total liabilities	5,660	2,869	19,348	19,336	25,008	22,205
Pension costs paid in advance	776	-	323	-	1,099	-
Local business taxes paid in advance	29	21	-	-	29	21
Total deferred inflow of resources	805	21	323	-	1,128	21
Net position						
Net investment in capital assets	13,903	14,075	17,295	16,027	31,198	30,102
Restricted	1,063	1,153	7,306	6,636	8,369	7,789
Unrestricted	1,219	4,191	14,103	14,632	15,322	18,823
Total net position	\$ 16,185	\$ 19,419	\$ 38,704	\$ 37,295	\$ 54,889	\$ 56,714

**all dollar amounts rounded to the nearest thousand*

An additional portion of the City's net position, \$8.4 million (or 15.2%), represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$15.3 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 \$3.3 million (or 6.4%) during fiscal year 2015. Governmental activities account for 12.0% of this increase, resulting from increases primarily in grant funding. Business-type activities account for 88.0% of the increase primarily due to increases in utility rates for water and sewer services.

GOVERNMENTAL ACTIVITIES

Reported in Table 2 are the key elements of this increase.

Table 2
City of Niceville, Florida
CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues						
Charges for services	\$ 2,531,844	\$ 2,263,676	\$ 10,697,140	\$ 9,992,307	\$ 13,228,984	\$ 12,255,983
Operating grants and contributions	144,844	1,761,970	-	-	144,844	1,761,970
Capital grants and contributions	-	-	965,859	860,527	965,859	860,527
General revenues						
Property taxes	3,099,280	2,911,635	-	-	3,099,280	2,911,635
Other taxes**	1,961,807	1,889,457	-	-	1,961,807	1,889,457
Other revenue**	2,331,549	1,929,655	730,794	554,599	3,062,343	2,484,254
TOTAL REVENUES	10,069,324	10,756,393	12,393,793	11,407,433	22,463,117	22,163,826
EXPENSES						
Primary government						
General government	2,610,657	2,347,852	-	-	2,610,657	2,347,852
Public safety	3,344,371	3,158,636	-	-	3,344,371	3,158,636
Transportation	856,698	880,325	-	-	856,698	880,325
Internal services	622,187	632,591	-	-	622,187	632,591
Human services	82,245	56,000	-	-	82,245	56,000
Culture and recreation	2,377,996	2,294,223	-	-	2,377,996	2,294,223
Debt service interest and fees	37,267	35,652	-	-	37,267	35,652
Business-type activities						
Water and sewer	-	-	6,318,745	6,165,016	6,318,745	6,165,016
Sanitation	-	-	2,597,089	2,583,986	2,597,089	2,583,986
Stormwater	-	-	299,143	328,466	299,143	328,466
TOTAL EXPENSES	9,931,421	9,405,279	9,214,977	9,077,468	19,146,398	18,482,747
Increase in net position before transfers	137,903	1,351,114	3,178,816	2,329,965	3,316,719	3,681,079
Transfers	260,000	440,000	(260,000)	(440,000)	-	-
Increase in net position	397,903	1,791,114	2,918,816	1,889,965	3,316,719	3,681,079
NET POSITION AT BEGINNING OF YEAR						
	19,418,431	17,627,317	37,294,696	35,404,731	56,713,127	53,032,048
Restatement*	(3,631,380)	-	(1,508,760)	-	(5,140,140)	-
NET POSITION AT END OF YEAR	\$ 16,184,954	\$ 19,418,431	\$ 38,704,752	\$ 37,294,696	\$ 54,889,706	\$ 56,713,127

*Prior period adjustment as a result of implementation of GASB 68 as of October 1, 2014.

**Prior period amounts have been reclassified to conform to the current year presentation

FINANCIAL IMPACTS

Normal 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, impact fees, recreation user fees, etc.).
- **Changing Patterns in Intergovernmental Grant Revenue (both recurring and non-recurring):** Certain recurring revenues (state revenue sharing) 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 a significant influence on the City's investment income causing it to fluctuate greatly.

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 45% of the City's operating expenses.
- **Salary Adjustments:** The ability to attract and retain human and intellectual resources requires the City to strive for 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

- The charges for services increased \$268 thousand, which is related to an increase in electricity franchise fees as well as stormwater charges.
- Operating grants and contributions decreased \$1.6 million during fiscal year 2014. The City received \$1.25 million in grant funding from the Florida Department of Environmental Protection (FDEP) and \$395 thousand in contributions from the United States Air Force (USAF) for the acquisition of land related to the City's Turkey Creek Expansion Project, to include conserving natural resources and resolving land use conflicts. In fiscal year 2015, the City received a contribution from Okaloosa County for the Library Coop Program in the amount of \$112 thousand, two small Law Enforcement Grants totaling \$12 thousand, and a Florida Defense Task Force Program Grant in the amount of \$20 thousand.

- Property tax revenues increased \$188 thousand from increased collection of current year and delinquent property taxes received in the current year.
- Other revenue increased \$402 thousand, which is related to an increase in municipal revenue sharing and BP Deepwater Horizon Oil Spill Settlement received during fiscal year 2015.
- General Government expenses increased \$262 thousand, which is primarily due to increases in Employee Health Insurance expenses due to an increase in premiums in the current year of about 15%.
- Public Safety expenses increased \$186 thousand, which is the result of 4 new employees hired for patrol in the current year along with 3 new employees hired for the fire department.
- Culture and Recreation expenses increased \$84 thousand, which is related to a general increase in activity in the current year, to include repairs and maintenance, depreciation and salaries.

**Chart 1
Expenses and Program Revenue – Governmental Activities**

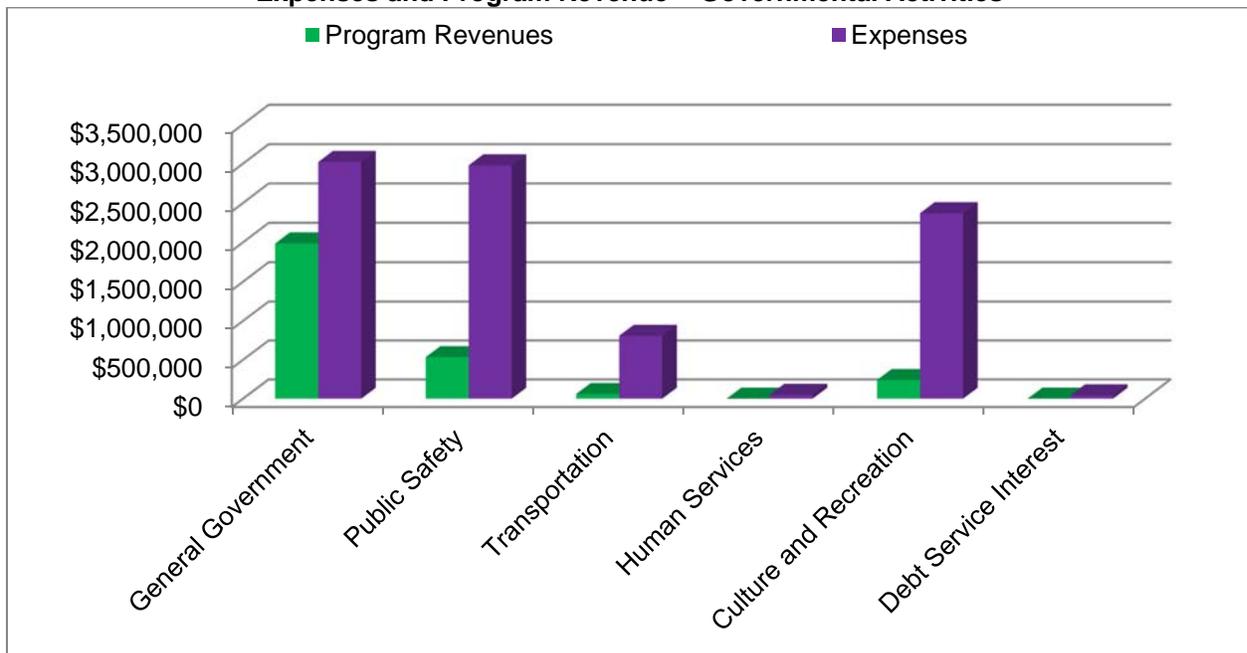
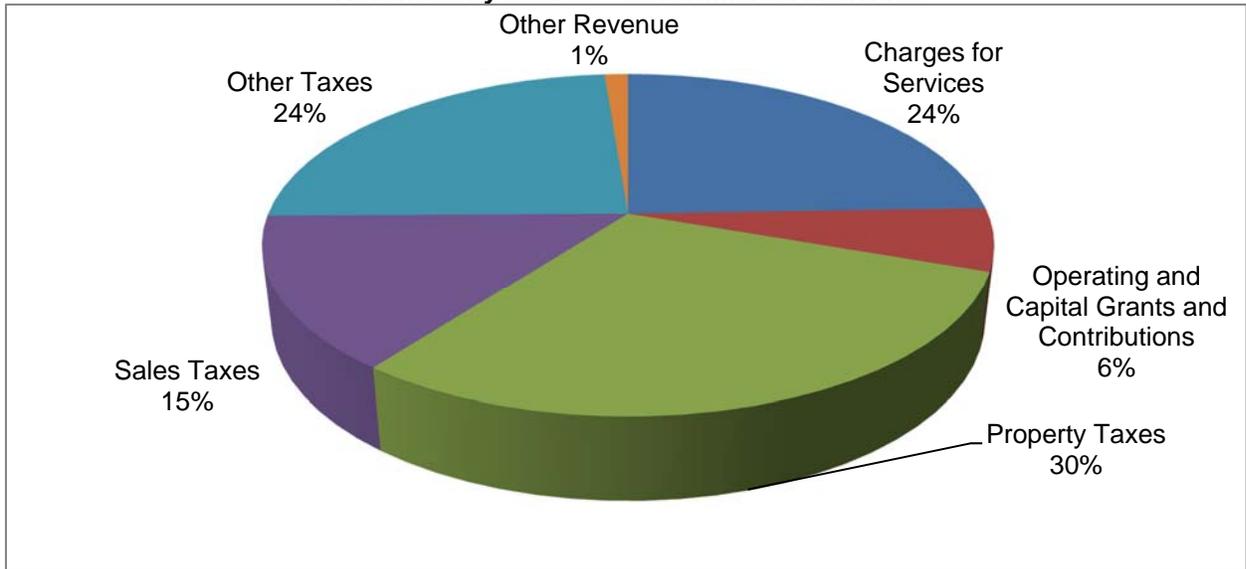


Chart 2
Revenues by Source - Governmental Activities



Current Year Impacts – Business-Type Activities

- The net position of business-type activities increased \$2.9 million (or 8.16%).
- Charges for services for business-type activities increased by \$705 thousand, primarily due to water and sewer consumption and rate increases in the current year.
- Capital grants and contributions increased \$105 thousand, primarily due to an increase in contributions from water and sewer impact fees.
- Other revenues increased \$176 thousand, which is primarily due to an increase in equity earnings in the component unit (NVR SB).
- Water and sewer expenses increased \$154 thousand mostly from increased payroll, and repair and maintenance expenses.

Chart 3
Expense and Program Revenue - Business-Type Activities

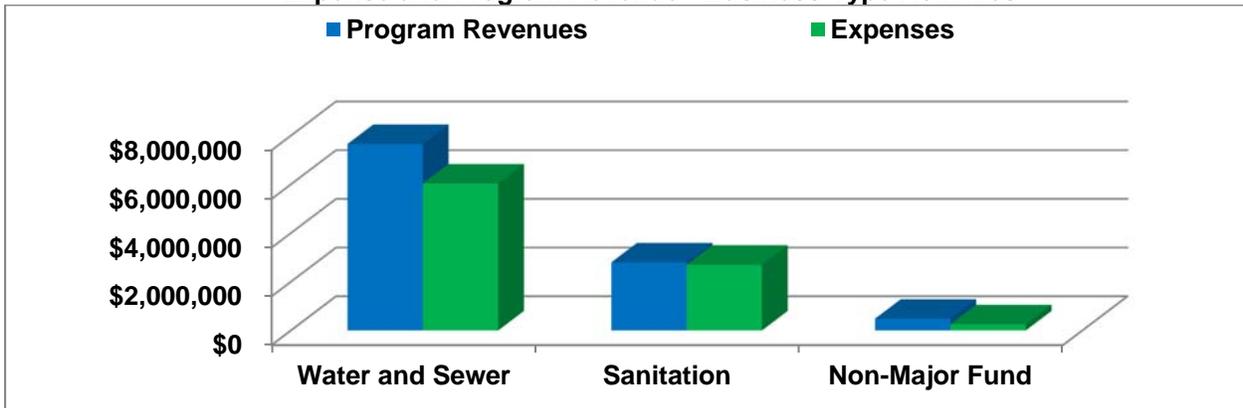
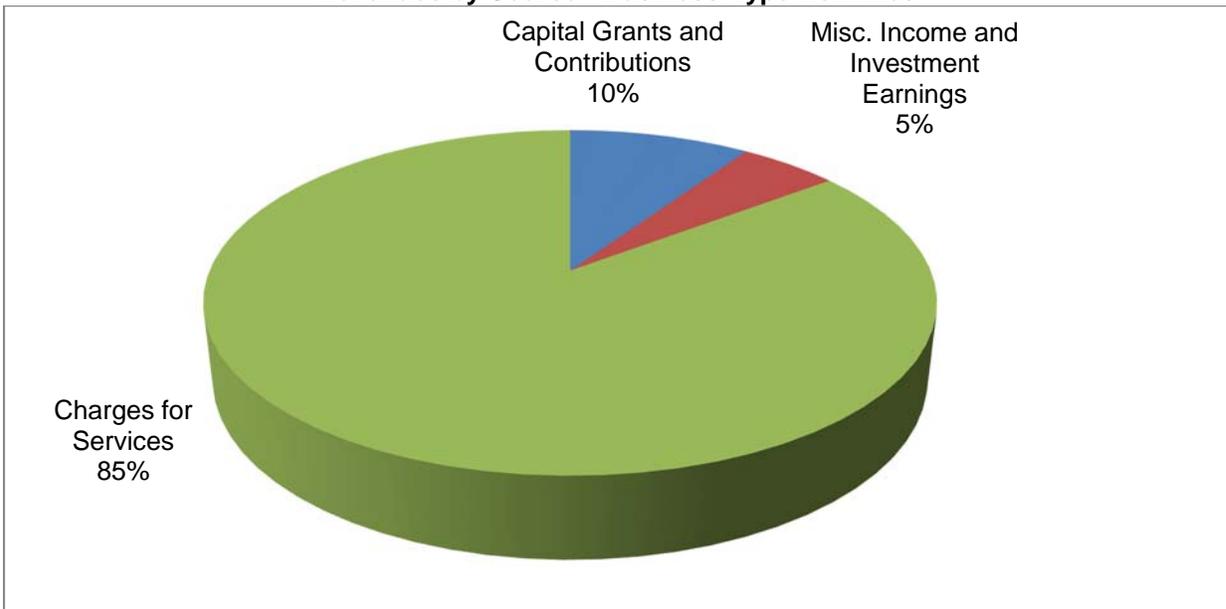


Chart 4
Revenues by Source - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

The focus of the City's governmental funds are to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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's governmental fund reported ending fund balance of \$6.2 million, a \$311 thousand increase in comparison with the prior year. Approximately \$3.4 million of fund balance (or 54%) constitutes unassigned fund balance, which is available for spending at the City Council's discretion. The remainder of fund balance is classified between nonspendable, restricted, or assigned for various projects based on the level of constraints placed on those funds, and in accordance with GASB Statement 54.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3.4 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 33% of the total General Fund expenditures, while total fund balance represents 61% of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$327 thousand which is related to net income in the current year along with a transfer in from the Proprietary Fund.

Proprietary Fund

The City'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 \$14.1 million at the end of the year; of that, the Water and Sewer Fund amounted to \$11.5 million, the Sanitation Fund totaled \$1.3 million, and the Stormwater Utility Management Fund was \$1.3 million. Net position for proprietary funds increased \$2.9 million during 2015.

BUDGETARY HIGHLIGHTS

General Fund

- No amendments were made to the original adopted budget for 2015.
- Actual revenues were greater than budgetary expectations by \$337 thousand, or 3.5% from budgeted expectations. The difference noted was a combination of Taxes, Licenses, fees and permits, Charges for services, and Miscellaneous being greater than budgeted and Intergovernmental being less than budgeted. Intergovernmental revenues were expected to increase from fiscal year 2014, however, they decreased due to a decrease in grant funding. A BP Settlement not budgeted for in the amount of \$285 thousand was received during fiscal year 2015 that was included in Miscellaneous. Taxes, licenses, fees and permits, and charges for services were greater than budgeted due to the increase in development and activity in the City in the current year.

- Actual expenditures were less than budgeted expectations this year by \$1.4 million. This was primarily related to General Government and capital outlay (road resurfacing) being less than anticipated or projects that did not commence as intended.

CAPITAL ASSET AND LONG-TERM DEBT OUTSTANDING

Capital Assets

The City's investments in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$47.1 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 decrease in the City's investment in capital assets for the current fiscal year was \$554 thousand (or 1.2%) with an overall 3.6% decrease for governmental activities, and the business-type activities being consistent year-over-year, all of which is summarized in Table 3.

Table 3
City of Niceville, Florida
Capital Assets
(net of depreciation)
AS OF SEPTEMBER 30, 2015 AND 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 3,478,601	\$ 3,457,467	\$ 870,492	\$ 868,716	\$ 4,349,093	\$ 4,326,183
Buildings	3,028,205	3,218,501	1,586,963	1,678,470	4,615,168	4,896,971
Improvements other than buildings	5,288,068	5,475,849	23,483,065	24,292,525	28,771,133	29,768,374
Infrastructure	2,272,199	2,500,055	-	-	2,272,199	2,500,055
Machinery and equipment	1,212,665	1,279,676	956,511	307,217	2,169,176	1,586,893
Construction in progress	218,459	150,964	4,655,693	4,376,390	4,874,152	4,527,354
Total	\$ 15,498,197	\$ 16,082,512	\$ 31,552,724	\$ 31,523,318	\$ 47,050,921	\$ 47,605,830

Additional information on the capital assets of the City can be found in Note 5 of this report.

Long-Term Debt Outstanding

At the end of the current fiscal year, the City had total debt outstanding of \$19.0 million. The City has no general obligation or special assessment debt. 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.

Table 4
City of Niceville, Florida
Long-Term Debt Outstanding
AS OF SEPTEMBER 30, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues bonds, net	\$ 1,454,763	\$ 1,801,285	\$ 11,829,650	\$ 12,779,913	\$ 13,284,413	\$ 14,581,198
Lease payable	140,381	206,397	1,094,000	1,218,000	1,234,381	1,424,397
State revolving loans	-	-	3,845,614	3,615,347	3,845,614	3,615,347
Compensated absences	496,188	516,532	183,952	171,758	680,140	688,290
Total	\$ 2,091,332	\$ 2,524,214	\$ 16,953,216	\$ 17,785,018	\$ 19,044,548	\$ 20,309,232

The City's governmental activities debt decreased by \$433 thousand during the fiscal year, which is attributable to principal payments on the City's outstanding bonds. The net change in the business-type activities debt decreased \$802 thousand in the current year.

Additional information on the City's long-term debt can be found in Note 11 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 a limited array of permitted other taxes (sales, gasoline, utility service taxes, etc.) and fees (franchise and occupational licenses) for their governmental activities. There is a limited number of state shared revenues and recurring and non-recurring grants from both the state and federal governments, 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 has limited growth potential, it places great emphasis on redevelopment and it is essential for the continued financial and economic health of our community.

The military has a significant presence in our community with Eglin Air Force Base and Hurlburt Field, employing over 51,000 military and civilian personnel. These installations are essential to the continued long-term economic vitality of this area. Combined, the military and defense-related industries have a \$60 billion annual impact on Florida's economy. The Governor's Office of Trade, Tourism & Economic Development (OTTED) is positioned closely with the military commanders in Florida, which may aid in limiting future base realignment and closures from negatively affecting this area. This strong relationship with the commanders gives the Governor and the State of Florida early warning of support issues they contend with on a regular basis.

Regional economic indicators were also considered in preparing the fiscal year 2015-2016 budget for the City:

- The local unemployment rate was 4.4%, which represents an approximate 0.2% decrease from September 2014. The State of Florida's unemployment rate was 5.2%, which represents an approximate 0.6% decrease from September 2014, when it was 5.8%. The unemployment rate will impact the City's fee and usage based revenues, and shared portions of the State of Florida's usage based taxes.
- The published State Revenue Sharing distribution estimate is up by 4.6% over prior year and the half-cent sales tax distribution estimate is up by 1.3% over prior year. However, the Communication Services Tax distribution estimate is down by 5.0% compared to prior year.
- For fiscal year 2016, the City has budgeted \$973 thousand of existing reserves, which has been reflected as "FY 2016 Appropriations" in the assigned classification of the General Fund balance for fiscal year ended 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City'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 Finance Department, 208 North Partin Drive, Niceville Florida 32578. The City can also be found online at www.niceville.org.

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

EXHIBIT I

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Niceville- Valparaiso Regional Sewer Board, Inc.
ASSETS				
Cash and cash equivalents	\$ 5,420,971	\$ 10,258,349	\$ 15,679,320	\$ 2,192,349
Receivables, net	242,890	959,124	1,202,014	1,888
Internal balances	(478,049)	478,049	-	-
Due from other governments	236,784	-	236,784	-
Prepaid items	19,218	33,000	52,218	-
Inventory, at cost	13,918	210,442	224,360	3,058
Restricted assets				
Cash and cash equivalents	1,062,837	7,306,955	8,369,792	-
Capital assets, net				
Non-depreciable	3,697,060	5,526,185	9,223,245	26,899
Depreciable, net	11,801,137	26,026,539	37,827,676	6,795,234
Other assets				
Investment in component unit	-	7,123,850	7,123,850	-
TOTAL ASSETS	22,016,766	57,922,493	79,939,259	9,019,428
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges related to pensions	634,203	263,498	897,701	-
Deferred charges on refunding	-	189,323	189,323	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	634,203	452,821	1,087,024	-

See notes to the financial statements.

CITY OF NICEVILLE, FLORIDA
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Niceville- Valparaiso Regional Sewer Board, Inc.
LIABILITIES				
Accounts payable	\$ 170,888	\$ 259,630	\$ 430,518	\$ 72,957
Accrued wages	133,253	57,163	190,416	41,658
Payable from restricted assets				
Amounts due within one year				
Customer deposits	-	645,984	645,984	-
Compensated absences	124,652	49,613	174,265	-
Lease payable	68,756	127,000	195,756	-
Revenue bonds payable	351,226	1,028,558	1,379,784	-
State revolving loans payable	-	162,260	162,260	-
Accrued interest payable	14,329	81,439	95,768	-
Amounts due beyond one year				
Compensated absences	371,536	134,339	505,875	-
Net pension liability	3,250,620	1,350,562	4,601,182	-
Lease payable, net	71,625	967,000	1,038,625	-
Revenues bonds payable, net	1,103,537	10,801,092	11,904,629	-
State revolving loans payable, net	-	3,683,354	3,683,354	-
TOTAL LIABILITIES	5,660,422	19,347,994	25,008,416	114,615
DEFERRED INFLOW OF RESOURCES				
Pension costs paid in advance	776,377	322,568	1,098,945	-
Local business taxes paid in advance	29,216	-	29,216	-
TOTAL DEFERRED INFLOW OF RESOURCES	805,593	322,568	1,128,161	-
NET POSITION				
Net investment in capital assets	13,903,053	17,295,135	31,198,188	6,822,133
Restricted				
Debt service	376,425	621,180	997,605	-
Capital improvements/extensions	297,549	6,039,176	6,336,725	-
Public safety	11,182	-	11,182	-
Parks and recreation	377,681	-	377,681	-
Customer deposits	-	645,984	645,984	-
Nonexpendable	-	-	-	1,780,963
Unrestricted	1,219,064	14,103,277	15,322,341	301,717
TOTAL NET POSITION	\$ 16,184,954	\$ 38,704,752	\$ 54,889,706	\$ 8,904,813

See notes to the financial statements.

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

Function/program activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Niceville- Valparaiso Regional Sewer Board, Inc.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental Activities								
General government	\$ 2,610,657	\$ 1,951,249	\$ 32,236	\$ -	\$ (627,172)	\$ -	\$ (627,172)	\$ -
Public safety	3,344,371	232,715	-	-	(3,111,656)	-	(3,111,656)	-
Transportation	856,698	74,479	-	-	(782,219)	-	(782,219)	-
Internal services	622,187	-	-	-	(622,187)	-	(622,187)	-
Human services	82,245	-	-	-	(82,245)	-	(82,245)	-
Culture and recreation	2,377,996	273,401	112,608	-	(1,991,987)	-	(1,991,987)	-
Debt service interest	37,267	-	-	-	(37,267)	-	(37,267)	-
Total governmental activities	<u>9,931,421</u>	<u>2,531,844</u>	<u>144,844</u>	<u>-</u>	<u>(7,254,733)</u>	<u>-</u>	<u>(7,254,733)</u>	<u>-</u>
Business-type activities								
Water and sewer	6,318,745	7,401,523	-	940,242	-	2,023,020	2,023,020	-
Sanitation	2,597,089	2,830,023	-	-	-	232,934	232,934	-
Stormwater utility management	299,143	465,594	-	25,617	-	192,068	192,068	-
Total business-type activities	<u>9,214,977</u>	<u>10,697,140</u>	<u>-</u>	<u>965,859</u>	<u>-</u>	<u>2,448,022</u>	<u>2,448,022</u>	<u>-</u>
Total primary government	<u>\$ 19,146,398</u>	<u>\$ 13,228,984</u>	<u>\$ 144,844</u>	<u>\$ 965,859</u>	<u>\$ (7,254,733)</u>	<u>\$ 2,448,022</u>	<u>\$ (4,806,711)</u>	<u>\$ -</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
STATEMENT OF ACTIVITIES – CONTINUED
YEAR ENDED SEPTEMBER 30, 2015**

<u>Function/program activities</u> <u>Component Unit</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position			<u>Component Unit</u> <u>Niceville- Valparaiso Regional Sewer Board, Inc.</u>	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
Niceville-Valparaiso Regional Sewer Board, Inc.	\$ 2,091,837	\$ 2,700,549	\$ -	\$ 333,218	\$ -	\$ -	\$ -	\$ 941,930
General revenues:								
Taxes:								
Property taxes				\$ 3,099,280	\$ -	\$ 3,099,280	\$ -	\$ -
Utility service taxes				1,961,807	-	1,961,807	-	-
Municipal revenue sharing, intergovernmental				1,991,998	-	1,991,998	-	-
Equity earnings in component unit				-	498,401	498,401	-	-
Miscellaneous				320,907	194,079	514,986	7,740	7,740
Investment earnings				18,644	38,314	56,958	6,549	6,549
Transfers				260,000	(260,000)	-	-	-
Total general revenues and transfers				7,652,636	470,794	8,123,430	14,289	14,289
CHANGE IN NET POSITION				397,903	2,918,816	3,316,719	956,219	956,219
NET POSITION AT BEGINNING OF YEAR, RESTATED				15,787,051	35,785,936	51,572,987	7,948,594	7,948,594
NET POSITION AT END OF YEAR				\$ 16,184,954	\$ 38,704,752	\$ 54,889,706	\$ 8,904,813	\$ 8,904,813

See notes to the financial statements.

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

	<u>General Fund</u>	<u>Non-Major Fund – CRA Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,411,218	\$ 9,753	\$ 5,420,971
Receivables	242,890	-	242,890
Due from other governments	236,784	-	236,784
Inventory, at cost	13,918	-	13,918
Prepaid items	19,218	-	19,218
Restricted assets			
Cash and cash equivalents	<u>1,062,837</u>	<u>-</u>	<u>1,062,837</u>
TOTAL ASSETS	<u><u>\$ 6,986,865</u></u>	<u><u>\$ 9,753</u></u>	<u><u>\$ 6,996,618</u></u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET – CONTINUED
SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Non-Major Fund – CRA Fund</u>	<u>Total Governmental Funds</u>
LIABILITIES			
Accounts payable	\$ 170,888	\$ -	\$ 170,888
Accrued interest payable	14,329	-	14,329
Accrued wages payable	133,253	-	133,253
Interfund balances	451,842	26,207	478,049
TOTAL LIABILITIES	<u>770,312</u>	<u>26,207</u>	<u>796,519</u>
DEFERRED INFLOW OF RESOURCES			
Local business taxes paid in advance	29,216	-	29,216
FUND BALANCE			
Nonspendable			
Inventory	13,918	-	13,918
Prepaid items	19,218	-	19,218
Restricted			
Debt service	376,425	-	376,425
Public safety – police federal forfeiture funds	11,182	-	11,182
Parks and recreation	377,681	-	377,681
Capital improvements	297,549	-	297,549
Assigned			
FY 2016 appropriations	973,470	-	973,470
Public safety – encumbrances	82,191	-	82,191
Salary and insurance reserves	493,740	-	493,740
Fireworks	149,647	-	149,647
Unassigned (deficit)	3,392,316	(16,454)	3,375,862
TOTAL FUND BALANCE	<u>6,187,337</u>	<u>(16,454)</u>	<u>6,170,883</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u>\$ 6,986,865</u>	<u>\$ 9,753</u>	<u>\$ 6,996,618</u>

See notes to the financial statements.

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

Fund balance, total governmental funds (page 22)		\$ 6,170,883
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.</p>		
Governmental non-depreciable assets	\$ 3,697,060	
Governmental depreciable assets	29,259,809	
Less accumulated depreciation	<u>(17,458,672)</u>	
		15,498,197
<p>Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.</p>		
Deferred outflows of resources related to pensions	634,203	
Deferred inflows of resources related to pensions	<u>(776,377)</u>	
		(142,174)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.</p>		
Revenue bonds payable	(1,454,763)	
Capital lease payable	(140,381)	
Compensated absences	(496,188)	
Net pension liability	<u>(3,250,620)</u>	
		<u>(5,341,952)</u>
Net position of governmental activities (page 18)		<u><u>\$ 16,184,954</u></u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Non-Major Fund – CRA Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 5,018,650	\$ -	\$ 5,018,650
Licenses, fees, and permits	1,541,487	-	1,541,487
Intergovernmental	2,423,230	9,748	2,432,978
Charges for services	626,246	-	626,246
Fines	58,323	-	58,323
Miscellaneous	391,638	5	391,643
Total revenues	<u>10,059,574</u>	<u>9,753</u>	<u>10,069,327</u>
EXPENDITURES			
Current			
General government	2,263,689	-	2,263,689
Public safety	3,202,573	-	3,202,573
Transportation	712,648	-	712,648
Internal service	652,611	-	652,611
Human services	56,038	26,207	82,245
Culture and recreation	2,179,723	-	2,179,723
Capital outlay	475,283	-	475,283
Debt service			
Principal	412,538	-	412,538
Interest	37,267	-	37,267
Total expenditures	<u>9,992,370</u>	<u>26,207</u>	<u>10,018,577</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>67,204</u>	<u>(16,454)</u>	<u>50,750</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>260,000</u>	<u>-</u>	<u>260,000</u>
NET CHANGE IN FUND BALANCE	327,204	(16,454)	310,750
FUND BALANCE AT BEGINNING OF YEAR	<u>5,860,133</u>	<u>-</u>	<u>5,860,133</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 6,187,337</u>	<u>\$ (16,454)</u>	<u>\$ 6,170,883</u>

See notes to the financial statements.

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

Net change in fund balance – governmental funds (page 24) \$ 310,750

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 475,283	
Less current year depreciation	<u>(1,059,598)</u>	
		(584,315)

Governmental funds do not report capital assets on the balance sheet; however, they are reported on the government-wide financial statements. Accordingly, proceeds received for disposals of capital assets are shown as income in the governmental financial statements and a gain or loss is reported in the statement of activities.

Disposals of capital assets	(36,949)	
Accumulated depreciation associated with disposals	<u>36,949</u>	
		-

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payments		412,538
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in net pension liability and related deferred outflows and inflows	238,586	
Change in long-term compensated absences	<u>20,344</u>	
		<u>258,930</u>

Change in net position of governmental activities (page 20)		<u><u>\$ 397,903</u></u>
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See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
GENERAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL
SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,813,880	\$ 4,813,880	\$ 5,018,650	\$ 204,770
Licenses, fees and permits	1,305,000	1,305,000	1,541,487	236,487
Intergovernmental	3,032,550	3,032,550	2,423,230	(609,320)
Charges for services	377,650	377,650	626,246	248,596
Fines	64,250	64,250	58,323	(5,927)
Miscellaneous	129,200	129,200	391,638	262,438
Total revenues	<u>9,722,530</u>	<u>9,722,530</u>	<u>10,059,574</u>	<u>337,044</u>
EXPENDITURES				
Current				
General government	3,060,780	3,060,780	2,263,689	797,091
Public safety	3,212,236	3,212,236	3,202,573	9,663
Transportation	721,270	721,270	712,648	8,622
Internal service	706,360	706,360	652,611	53,749
Human services	1,048,960	1,048,960	56,038	992,922
Culture and recreation	1,218,490	1,218,490	2,179,723	(961,233)
Capital outlay	1,000,094	1,000,094	475,283	524,811
Debt service				
Principal	424,200	424,200	412,538	11,662
Interest	32,080	32,080	37,267	(5,187)
Total expenditures	<u>11,424,470</u>	<u>11,424,470</u>	<u>9,992,370</u>	<u>1,432,100</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,701,940)</u>	<u>(1,701,940)</u>	<u>67,204</u>	<u>1,769,144</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	440,000	440,000	260,000	(180,000)
NET CHANGE IN FUND BALANCE	(1,261,940)	(1,261,940)	327,204	1,589,144
FUND BALANCE AT BEGINNING OF YEAR	<u>1,261,940</u>	<u>1,261,940</u>	<u>5,860,133</u>	<u>4,598,193</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,187,337</u>	<u>\$ 6,187,337</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Water and Sewer Fund	Sanitation Fund	Non-Major Fund – Stormwater Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 7,132,332	\$ 1,574,838	\$ 1,551,179	\$ 10,258,349
Receivables, net	678,792	239,334	40,998	959,124
Interfund balances	478,049	-	-	478,049
Prepaid items	33,000	-	-	33,000
Inventory, at cost	202,137	8,305	-	210,442
Total current assets	<u>8,524,310</u>	<u>1,822,477</u>	<u>1,592,177</u>	<u>11,938,964</u>
Non-current assets				
Restricted assets				
Cash and cash equivalents	7,303,144	-	3,811	7,306,955
Capital assets				
Non-depreciable	5,146,739	1,350	378,096	5,526,185
Depreciable, net	23,391,866	272,625	2,362,048	26,026,539
Total capital assets	<u>28,538,605</u>	<u>273,975</u>	<u>2,740,144</u>	<u>31,552,724</u>
Other assets				
Investment in component unit	7,123,850	-	-	7,123,850
Total non-current assets	<u>42,965,599</u>	<u>273,975</u>	<u>2,743,955</u>	<u>45,983,529</u>
TOTAL ASSETS	<u>51,489,909</u>	<u>2,096,452</u>	<u>4,336,132</u>	<u>57,922,493</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges related to pensions	183,557	79,941	-	263,498
Deferred charges on refunding	189,323	-	-	189,323
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>372,880</u>	<u>79,941</u>	<u>-</u>	<u>452,821</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION – CONTINUED
 SEPTEMBER 30, 2015**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Non-Major Fund – Stormwater Fund</u>	<u>Total</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 211,546	\$ 46,891	\$ 1,193	\$ 259,630
Accrued liabilities				
Compensated absences	39,680	9,933	-	49,613
Wages	39,926	17,237	-	57,163
Payable from restricted assets				
Customer deposits	645,984	-	-	645,984
Lease payable	127,000	-	-	127,000
Revenue bonds payable	1,028,558	-	-	1,028,558
State revolving loan payable	151,628	-	10,632	162,260
Accrued interest payable	81,439	-	-	81,439
Total current liabilities	<u>2,325,761</u>	<u>74,061</u>	<u>11,825</u>	<u>2,411,647</u>
Non-current liabilities				
Compensated absences	123,715	10,624	-	134,339
Net pension liability	940,825	409,737	-	1,350,562
Lease payable, net	967,000	-	-	967,000
Revenue bonds payable, net	10,801,092	-	-	10,801,092
State revolving loans payable, net	3,368,182	-	315,172	3,683,354
Total non-current liabilities	<u>16,200,814</u>	<u>420,361</u>	<u>315,172</u>	<u>16,936,347</u>
TOTAL LIABILITIES	<u>18,526,575</u>	<u>494,422</u>	<u>326,997</u>	<u>19,347,994</u>
DEFERRED INFLOW OF RESOURCES				
Pension costs paid in advance	<u>224,707</u>	<u>97,861</u>	<u>-</u>	<u>322,568</u>
NET POSITION				
Net investment in capital assets	14,281,016	273,975	2,740,144	17,295,135
Restricted				
Debt service	617,369	-	3,811	621,180
Capital improvements	6,039,176	-	-	6,039,176
Customer deposits	645,984	-	-	645,984
Unrestricted	<u>11,527,962</u>	<u>1,310,135</u>	<u>1,265,180</u>	<u>14,103,277</u>
TOTAL NET POSITION	<u>\$ 33,111,507</u>	<u>\$ 1,584,110</u>	<u>\$ 4,009,135</u>	<u>\$ 38,704,752</u>

See notes to the financial statements.

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

EXHIBIT IX

	Water and Sewer Fund	Sanitation Fund	Non-Major Fund – Stormwater Fund	Total
REVENUES				
Charges for services	\$ 7,305,600	\$ 2,830,023	\$ 465,594	\$ 10,601,217
OPERATING EXPENSES				
Personal services	1,649,256	749,125	-	2,398,381
Operating	2,921,901	1,786,932	164,351	4,873,184
Depreciation	1,272,747	61,032	134,426	1,468,205
Total operating expenses	5,843,904	2,597,089	298,777	8,739,770
OPERATING INCOME	1,461,696	232,934	166,817	1,861,447
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(472,737)	-	-	(472,737)
Amortization	(1,004)	-	-	(1,004)
Equity earnings in component unit	498,401	-	-	498,401
Interest income	31,440	4,374	2,500	38,314
Debt issuance costs	(366)	-	-	(366)
Debt service fees	(1,100)	-	-	(1,100)
Miscellaneous	198,906	91,096	-	290,002
Total non-operating revenue (expenses)	253,540	95,470	2,500	351,510
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	1,715,236	328,404	169,317	2,212,957
Capital contributions – impact fees	940,242	-	25,617	965,859
Transfers out	-	(180,000)	(80,000)	(260,000)
Total capital contributions and transfers	940,242	(180,000)	(54,383)	705,859
CHANGE IN NET POSITION	2,655,478	148,404	114,934	2,918,816
NET POSITION AT BEGINNING OF YEAR, RESTATED				
	30,456,029	1,435,706	3,894,201	35,785,936
NET POSITION AT END OF YEAR	\$ 33,111,507	\$ 1,584,110	\$ 4,009,135	\$ 38,704,752

See notes to the financial statements.

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

EXHIBIT X

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Non-Major Fund – Stormwater Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 7,335,801	\$ 2,828,943	\$ 463,976	\$ 10,628,720
Payments to suppliers	(3,429,027)	(1,829,474)	(174,812)	(5,433,313)
Payments to employees	(1,699,998)	(777,218)	-	(2,477,216)
Miscellaneous income	198,906	91,096	-	290,002
Net cash provided by operating activities	<u>2,405,682</u>	<u>313,347</u>	<u>289,164</u>	<u>3,008,193</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers out	-	(180,000)	(112,617)	(292,617)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of capital assets	(1,287,577)	(28,651)	(181,387)	(1,497,615)
Proceeds from impact fees	940,242	-	25,617	965,859
Proceeds from state revolving loans	-	-	440,188	440,188
Principal paid on state revolving loans	(95,537)	-	(114,384)	(209,921)
Principal paid on revenue bonds and notes payable	(950,263)	-	-	(950,263)
Principal payments on leases payable	(124,000)	-	-	(124,000)
Interest paid on bonds and notes payable	(481,506)	-	-	(481,506)
Other debt service costs	(1,466)	-	-	(1,466)
Net cash provided by (used in) capital and related financing activities	<u>(2,000,107)</u>	<u>(28,651)</u>	<u>170,034</u>	<u>(1,858,724)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital assets purchased and transferred to Joint Venture	(266,574)	-	-	(266,574)
Interest income	31,440	4,374	2,500	38,314
Net cash provided by (used in) investing activities	<u>(235,134)</u>	<u>4,374</u>	<u>2,500</u>	<u>(228,260)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	170,441	109,070	349,081	628,592
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>14,265,035</u>	<u>1,465,768</u>	<u>1,205,909</u>	<u>16,936,712</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 14,435,476</u>	<u>\$ 1,574,838</u>	<u>\$ 1,554,990</u>	<u>\$ 17,565,304</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS – CONTINUED
 YEAR ENDED SEPTEMBER 30, 2015**

EXHIBIT X

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Non-Major Fund – Stormwater Fund</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current assets	\$ 7,132,332	\$ 1,574,838	\$ 1,551,179	\$ 10,258,349
Restricted assets	7,303,144	-	3,811	7,306,955
Total cash and cash equivalents	<u>\$ 14,435,476</u>	<u>\$ 1,574,838</u>	<u>\$ 1,554,990</u>	<u>\$ 17,565,304</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,461,696	\$ 232,934	\$ 166,817	\$ 1,861,447
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,272,747	61,032	134,426	1,468,205
Amortization	1,004	-	-	1,004
Miscellaneous revenue	198,906	91,096	-	290,002
Decrease (increase) in assets:				
Accounts receivable	(14,656)	(1,080)	(1,618)	(17,354)
Due from other governments	9,195	-	-	9,195
Inventory	(18,313)	176	-	(18,137)
Prepaid expenses	1,000	-	-	1,000
Increase in deferred outflows:	(288,681)	(43,272)	-	(331,953)
Increase (decrease) in liabilities:				
Accounts payable	(490,817)	(42,718)	(10,461)	(543,996)
Accrued wages	6,335	1,763	-	8,098
Customer deposits	35,662	-	-	35,662
Compensated absences	11,975	219	-	12,194
Net pension liability	341,174	148,584	-	489,758
Decrease in deferred inflows:	<u>(121,545)</u>	<u>(135,387)</u>	<u>-</u>	<u>(256,932)</u>
Net cash provided by operating activities	<u>\$ 2,405,682</u>	<u>\$ 313,347</u>	<u>\$ 289,164</u>	<u>\$ 3,008,193</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS				
Equity earnings in joint venture	<u>\$ 498,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,401</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
AGENCY FUND – SCHOLARSHIPS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015**

ASSETS

Cash and cash equivalents	\$ 374,717
Due from other funds	<u>6,604</u>

TOTAL ASSETS

\$ 381,321

LIABILITIES

Due to scholarship recipients	<u>\$ 381,321</u>
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TOTAL LIABILITIES

\$ 381,321

See notes to the financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Niceville, Florida (the City) was established on July 7, 1938. The City's original charter was enacted as Chapter 31034, Laws of Florida, on June 10, 1955. The present charter was enacted October 1, 1983, by Ordinance Number 511. The City operates under a council-manager form of government and provides the following services: public safety (law enforcement, fire control, protective inspections and emergency and disaster relief services), transportation (road and street facilities), culture and recreation and special events, utility (sanitation, water and sewer, and stormwater) 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:

The Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government). In evaluating the City as a 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 Statement No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB Statement No. 61, the City is financially accountable if it appoints a voting majority of the potential component unit's governing board, and it is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefit to or impose specific financial 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.

Niceville-Valparaiso Regional Sewer Board, Inc. (formerly known as Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc.; hereinafter referred to as NVRSB) is a not-for-profit corporation organized to manage the operation and maintenance of a regional sewer system serving its original joint owners, the City of Niceville, Florida, the City of Valparaiso, Florida, and Okaloosa County, Florida. The initial regional sewer system project was funded 75% by U.S. Environmental Protection Agency (EPA) Grants under provisions of Public Law 92-500 and 25% by the local government applicants and was completed and placed in service during the fiscal year ended September 30, 1982.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Reporting Entity – Continued

In April 2012, the City of Niceville and Okaloosa County entered into an Amendment to the Operational Agreement which resulted in the transfer of Okaloosa County's share of wastewater treatment capacity at the NVRSB plant to the City of Niceville. As a result of the transfer of capacity, Okaloosa County is no longer a member of NVRSB and the City of Niceville and Valparaiso are now 80% and 20% owners, respectively. In June 2012, NVRSB of Directors approved the change of NVRSB's name from Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc. to Niceville-Valparaiso Regional Sewer Board, Inc. As a result of the change in ownership percentage, a financial benefit/burden relationship exists between City of Niceville and NVRSB. In addition, it is determined that the NVRSB has a fiscal dependency on the City. Therefore, as of September 30, 2015, NVRSB is considered to be a component unit of the City, as defined by GASB Statement No. 61 and accordingly, NVRSB's June 30, 2015 year-end financial information has been presented within the government-wide financial statements as a "discretely presented component unit", with the City of Valparaiso's 20% share of equity of \$1,780,963 presented as nonexpendable restricted net position within the statement of net position.

NVRSB's Board consists of four members; two appointed by each of the two participants. The Sewer Board is responsible for preparing and approving its own budget. The cost of operations, including additional equipment and inventory purchases, is accounted for, in total, on the books and financial statements of the NVRSB. In accordance with GASB Statement No. 61, the City of Niceville's 80% share of operating results of the NVRSB is reported in the City's Water and Sewer Enterprise Fund. The City's portion of the equity in the joint venture is \$7,123,850 as of September 30, 2015.

NVRSB issues separate complete financial statements which may be obtained by contacting the Manager of the Niceville-Valparaiso Regional Sewer Board, Inc., 507 Hwy 85 N, Niceville, Florida 32578, e-mail address: ricknvoc@embarqmail.com, phone number: (850) 678-6613.

The Niceville Housing Authority is considered a related organization to the City rather than a component unit. The City of Niceville, Florida appoints the board members of the Niceville Housing Authority. However, the Authority's board operates independently of the City Council and does not create a financial burden or benefit to the City.

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 changes in net position) report information on all of the 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements – Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or 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 six months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Franchise fees, licenses, 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. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Okaloosa County Tax Collector bills and collects property taxes for the City in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

The following is the current property tax calendar:

Lien Date	January 1, 2015
Levy Date	November 1, 2015
Due Date	November 1, 2015
Delinquent Date	April 1, 2016

Discounts of 1% are granted for each month taxes are paid prior to March 2016.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2015 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year.

Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

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. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes, as operating revenues, the portion of tap fees intended to recover the cost of connecting customers to the system.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The following three broad 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. The City has the following major governmental fund:

General Fund – This is the City's primary operating fund and is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary

Proprietary funds focus on the determination of net income, changes in net 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 City's major proprietary funds:

Water and Sewer Fund – Accounts for the operations of the City, which provides distribution of potable water, sales and service and sanitary wastewater collection, treatment and disposal.

Sanitation Fund – Accounts for the operations of the City, providing for solid waste collection, disposal and/or recycling.

Fiduciary

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments, individuals and private organizations. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has the following type of fiduciary fund:

Scholarship Agency Fund – Used to report resources held by the City to provide scholarship awards on a one-time basis to one or more recipients for college, vocational or other technical training aid, pursuant to provisions of the Katie W. Moody Estate and Will. Annual scholarships are awarded based on interest earned on corpus held in the Fund.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity

Cash and Cash Equivalents

Each fund's cash on hand, demand deposits, and short-term investments are considered cash and cash equivalents. For purposes of these statements, all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased, are considered to be cash equivalents.

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 allowable investments include the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the U.S. Government or other interest-bearing time deposits or saving accounts in the state or federal banks for savings and loan associations, debt securities of the Federal Farm Credit Banks, The Federal Home Loan Mortgages Corporation, the Federal National Mortgage Association and securities of or other interest in certain investment companies or investment trusts, the portfolio of which is limited to the U.S. Government obligations or repurchase agreements fully collateralized by such obligations. The City adheres strictly to the provisions of those cited statutes, as well as with Chapter 280, Florida Statutes, which require the City to maintain deposits only with "Qualified Public Depositories". The City maintains a cash and investment pool available for use by all funds. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. In addition, restricted cash accounts, money market deposit accounts, and certificates of deposit are separately maintained by several City funds in accordance with bond ordinances and other contractual agreements. Investments are stated at fair value.

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the non-current portion of interfund loans). 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, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that 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. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation. All proprietary fund receivables are shown net of an allowance for uncollectibles. The allowance is computed using 65% of receivables in excess of 90 days.

CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity – Continued
Inventory

Inventory is valued at cost (first-in, first-out). The consumption method is used to account for inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used. A portion of the General Fund balance equal to the inventory amount has been reserved in the fund financial statements as "nonspendable" to indicate that it is not available for appropriation.

Restricted Assets

Restricted assets are maintained in both the governmental and business-type activities. Certain proceeds of enterprise fund revenue bonds, State Revolving Loan funds, and the governmental unit note as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. The Capital Projects and Extensions Account is used to report those proceeds of revenue bond issuances that are restricted for use in capital improvements. The Renewal and Replacement Account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The Debt Service Account is used to segregate resources accumulated for debt service payments over the next 12 months. The Reserve Fund Account is used to report resources set aside to makeup potential future deficiencies in the sinking fund account. Water meter deposits received from customers of the water and sewer system are placed in the Water Meter Deposit Trust Account. This money is restricted to use as payment of the final customer bill or returned to the customer upon settlement of the final bill. Additionally, impact fees from customers are restricted in the Water and Sewer Fund for future system improvements. The assets restricted for parks and recreations relate to the restrictions imposed by the Katie W. Moody Estate and Will.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, curbs and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost more than the following:

Land	All
Buildings and improvements	\$ 10,000
Infrastructure	\$ 10,000
Improvements – other	\$ 10,000
Equipment, vehicles, computers	\$ 10,000
Library books	All

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity – Continued
Capital Assets – Continued

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 in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	15-50 Years
Improvements other than buildings	7-50 Years
System infrastructure	20-40 Years
Machinery and equipment	3-10 Years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. The policy of the City for annual and sick leave is as follows:

- Upon completing 12 months of employment, an employee accrues 48 hours of sick leave. Thereafter, the employee accrues eight hours of sick leave per month.
- Upon completing 12 months of employment, an employee accrues 96 hours of annual leave, with the exception of a police officer who accrues 144 hours of annual leave. Thereafter, the employee, with the exception of a police officer, accrues eight hours of annual leave per month for the first seven years of employment. A police officer accrues 12 hours of annual leave per month regardless of the length of service
- After the first seven years of employment, an employee accrues 12 hours of annual leave per month. Accrual of sick leave remains the same.
- Upon termination of employment, an employee will be paid for accumulated annual leave as indicated by the schedule below, but all accumulated sick leave will be forfeited.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity – Continued
Compensated Absences – Continued

Years of Employment	Maximum Number of Accumulated Hrs. to be Paid
0-6 Years	240
7-15 Years	360
15 or More Years	480

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 funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed in the year they are incurred. Bonds payable are reported net of the applicable bond premium or discount.

The difference between the re-acquisition price (new debt and the net carrying value of the old debt) creates a deferred gain/loss from advance refunding of debt. This difference is classified as a deferred outflow of resource and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, gains/loss from refunding, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and gains from refunding received on debt issuances are reported as other financing sources while discounts and losses from refunding on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity – Continued
Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 currently has two items that qualify for reporting in this category; deferred charges on refunding and activity related to the defined benefit pension plan. See Note 7 for additional information on the amount related to the defined benefit pension plan.

In addition to liabilities, the statement of financial position 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, 2015, the City has fiscal year 2016 business taxes received by the City in advance that qualify for reporting in this category, along with activity related to the defined benefit pension plan. See Note 7 for additional information on the amount related to the defined benefit pension plan.

Bond Premiums and Discounts

Bond premiums and discounts are deferred and amortized on the straight-line basis over the term of the bonds, which the Authority believes approximates the effective interest method. Unamortized bond discounts and unamortized bond premiums are deducted from and added to, respectively, the principal amounts of the bonds outstanding. These costs are reflected in the accompanying financial statements as a reduction or an increase in gross bonds payable as unamortized deferred amounts.

Classification of Fund Balance

On October 1, 2010, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. Fund balance classifications, under GASB 54, are comprised of the following:

- Nonspendable Fund Balance – 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 and prepaid items.
- Restricted Fund Balance – 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity – Continued
Classification of Fund Balance – Continued

- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action, Ordinance, of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally, which is an Ordinance, by the same level of decision making authority (the City Council).
- Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. The City Council has delegated authority to the City Manager and City Clerk in accordance with the City's fund balance policy.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance. In all other funds, unassigned is limited to negative residual fund balance.

The City, in its General Fund, presents nonspendable fund balance for inventory and prepaid items. Amounts appropriated for use in the 2016 fiscal year budget process are classified as assigned. Amounts reserved for encumbrances, with no contractual obligations, are classified as assigned. All other amounts in the General Fund are considered unassigned.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Equity – Continued

Net Position

Net position in the government-wide and proprietary fund financial statements are classified net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of restricted assets, other than capital assets, reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported
- *Unrestricted* – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2015 and May 20, 2016, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 multi-year capital projects.

Budgetary data reflected in the financial statements are established by the following procedures. During the month of June, City departments submit their proposed expenditures or requested appropriations to the City Manager for consideration. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the City Manager during July. The City Manager along with the Council determine if any changes are deemed necessary and establish dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised by newspapers of general circulation in the City. Public hearings are conducted for the purpose of hearing requests and complaints from the public. In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget. The final budget is adopted by ordinance. Any subsequent amendments must be enacted in the same manner as the original budget.

Budget amounts reflected in the financial statements are originally adopted amounts as amended by the City Council by revision of fund totals. No budget amendments were made to originally adopted amounts for fiscal year 2015.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The City Manager and/or City Clerk are authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources that are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as assignment of fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

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

3. DEPOSITS AND INVESTMENTS

The investment of surplus funds is governed by provision of Florida Statute 218.415 as to the type of investments that can be made. 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" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow Qualified Public Depositories to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all Qualified Public Depositories.

The City's deposits at September 30, 2015, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and, therefore, have no custodial risk.

The types of investments, which can be made by the City, are restricted by state statutes and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1. As of September 30, 2015, the City did not have any deposits classified as investments.

4. RECEIVABLES

Receivables at September 30, 2015, were as follows:

	Govern- mental Activities	Business-Type Activities			Total
	General	Water and Sewer	Sanitation	Stormwater Utility Management	
Accounts	\$ 242,890	\$ 720,576	\$ 268,597	\$ 46,541	\$ 1,278,604
Less allowance for doubtful accounts	-	(41,784)	(29,263)	(5,543)	(76,590)
Receivables, net	242,890	678,792	239,334	40,998	1,202,014
Due from other governments	236,784	-	-	-	236,784
Total	\$ 479,674	\$ 678,792	\$ 239,334	\$ 40,998	\$ 1,438,798

Due from Other Governments

Due from other governments within the General Fund relates to 1/2 cent sales tax, state revenue sharing proceeds, local option fuel tax and other intergovernmental revenue.

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

5. CHANGES IN CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,457,467	\$ 21,134	\$ -	\$ 3,478,601
Construction in progress	150,964	67,495	-	218,459
Total capital assets not being depreciated	<u>3,608,431</u>	<u>88,629</u>	<u>-</u>	<u>3,697,060</u>
Capital assets being depreciated				
Buildings	5,704,131	953	-	5,705,084
Improvements other than buildings	9,643,549	57,820	-	9,701,369
Infrastructure	7,450,171	-	-	7,450,171
Machinery and equipment	5,797,085	327,881	-	6,124,966
Library books	315,168	-	(36,949)	278,219
Total capital assets being depreciated	<u>28,910,104</u>	<u>386,654</u>	<u>(36,949)</u>	<u>29,259,809</u>
Less accumulated depreciation				
Buildings	(2,485,630)	(191,249)	-	(2,676,879)
Improvements other than buildings	(4,167,700)	(245,601)	-	(4,413,301)
Infrastructure	(4,950,116)	(227,856)	-	(5,177,972)
Machinery and equipment	(4,517,409)	(394,892)	-	(4,912,301)
Library books	(315,168)	-	36,949	(278,219)
Total accumulated depreciation	<u>(16,436,023)</u>	<u>(1,059,598)</u>	<u>36,949</u>	<u>(17,458,672)</u>
Total capital assets being depreciated, net	<u>12,474,081</u>	<u>(672,944)</u>	<u>-</u>	<u>11,801,137</u>
Governmental activities, net	<u><u>\$16,082,512</u></u>	<u><u>\$ (584,315)</u></u>	<u><u>\$ -</u></u>	<u><u>\$15,498,197</u></u>

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

5. CHANGES IN CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 868,716	\$ 1,776	\$ -	\$ 870,492
Construction in progress	4,376,390	279,303	-	4,655,693
Total capital assets not being depreciated	<u>5,245,106</u>	<u>281,079</u>	<u>-</u>	<u>5,526,185</u>
Capital assets being depreciated				
Buildings	3,515,841	-	-	3,515,841
Improvements other than buildings	37,586,739	311,545	-	37,898,284
Machinery and equipment	3,247,346	904,987	(140,400)	4,011,933
Total capital assets being depreciated	<u>44,349,926</u>	<u>1,216,532</u>	<u>(140,400)</u>	<u>45,426,058</u>
Less accumulated depreciation				
Buildings	(1,837,371)	(91,507)	-	(1,928,878)
Improvements other than buildings	(13,294,214)	(1,121,005)	-	(14,415,219)
Machinery and equipment	(2,940,129)	(255,693)	140,400	(3,055,422)
Total accumulated depreciation	<u>(18,071,714)</u>	<u>(1,468,205)</u>	<u>140,400</u>	<u>(19,399,519)</u>
Total capital assets being depreciated, net	<u>26,278,212</u>	<u>(251,673)</u>	<u>-</u>	<u>26,026,539</u>
Business-type activities, net	<u><u>\$31,523,318</u></u>	<u><u>\$ 29,406</u></u>	<u><u>\$ -</u></u>	<u><u>\$31,552,724</u></u>

Construction in progress in the business-type activities of \$4,655,693 includes the water and sewer meter reading upgrade project, water tank construction project, the NVRSB upgrade project, and several small construction projects. The City anticipates completion of the projects in the fiscal year 2016. There were no material open construction contract commitments related to the projects as of September 30, 2015. Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 376,099
Public Safety	256,926
Transportation	160,123
Culture and recreation	266,450
Total depreciation expense – governmental activities	<u><u>\$ 1,059,598</u></u>

Business-type activities

Water and sewer	\$ 1,272,747
Sanitation	61,032
Non-major	134,426
Total depreciation expense – business-type activities	<u><u>\$ 1,468,205</u></u>

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

6. DEFERRED COMPENSATION PLAN

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan allows a participant to elect deferral of any portion of their salaries, with the City matching contributions varying from 3% to 12.5% of salary, based upon the participant's years of participation in the program. An employee must match the City's contribution until completion of five years continuous participation in the program, and the contribution may then go to the minimum 5% of salary. After 10 years of participation, the employee does not have to contribute.

City's Matching Contribution	Percentage
1-3 years participation	3.0%
4-5 years participation	4.0%
6-7 years participation	6.0%
8-9 years participation	8.0%
10 or more years participation and under the purview of a bargaining unit	10.0%
10 or more years of service – all other employees	12.5%

The City's only responsibilities with regard to the plan are to fund its required matching contributions and to administer authorized payroll deductions. All other administrative requirements are the responsibility of the Mass Mutual Financial Group.

Funds may be invested in annuity contracts providing for fixed annuity contributions at a guaranteed rate of interest, variable annuity contributions to a bond account and/or a stock account, or any combination thereof, at the participant's option.

In accordance with GASB Statement No. 32, the assets and liabilities of the plan are not reflected in the City's financial statements since the City has no fiduciary responsibilities, other than administrative, in connection with the plan.

Assets of the plan have a fair value of \$3,590,972 at September 30, 2015. The City made matching contributions during the fiscal year ended September 30, 2015, of \$30,824.

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

7. PENSION PLAN

Florida Retirement System

All of the City's employees, except those participating in the deferred compensation plan as described in Note 6, participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

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

Pension Plan

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided – Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

Special Risk class members (police and firefighters) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

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

7. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

Benefits Provided (Continued) – For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

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

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular—7.37% and 7.26%; Special Risk—19.82% and 22.04%; Senior Management Service—21.14% and 21.43%; Elected Officers'—43.24% and 42.27%; and DROP participants—12.28% and 18.75%. These employer contribution rates include 1.20% and 1.26% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$513,225 for the fiscal year ended September 30, 2015.

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

7. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$2,718,932 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City’s proportionate share of the net pension liability was based on the City’s 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City’s proportionate share was 0.021050316 percent, which was an increase of 0.000717305 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$128,606. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 287,039	\$ 64,485
Change of assumptions	180,465	-
Net difference between projected and actual earnings on Pension Plan investments	-	649,235
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	94,143	359,242
City Pension Plan contributions subsequent to the measurement date	134,929	-
	\$ 696,576	\$ 1,072,962

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

7. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – A component of deferred outflows of resources related to the Pension Plan of \$134,939 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan, expect for changes in proportion and related differences in the share of contributions, will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2016	\$ (215,088)
2017	(215,088)
2018	(215,088)
2019	320,551
2020	62,250
Thereafter	<u>16,248</u>
	<u>\$ (246,216)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

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

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

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

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

7. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-term bonds	18.00%	4.18%	4.05%	5.15%
High yield bonds	3.00%	6.79%	6.25%	10.95%
Broad US equities	26.50%	8.51%	6.95%	18.90%
Developed foreign entities	21.20%	8.66%	6.85%	20.40%
Emerging market equities	5.30%	11.58%	7.60%	31.15%
Private equity	6.00%	11.80%	8.11%	30.00%
Hedge funds/absolute return	7.00%	5.81%	5.35%	10.00%
Real estate (property)	<u>12.00%</u>	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed inflation – mean		2.60%		2.00%

(1) As outlined in the Pension Plan's investment policy

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

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

7. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City’s proportionate share of the net pension liability (asset)	\$ 7,045,364	\$ 2,718,932	\$ (881,373)

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

HIS Plan

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

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

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

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

7. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

HIS Plan – Continued

Contributions (Continued) – The City’s contributions to the HIS Plan totaled \$70,551 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$1,882,250 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City’s proportionate share of the net pension liability was based on the City’s 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City’s proportionate share was 0.018456270 percent, which was a decrease of 0.000360175 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$139,739. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 148,084	\$ -
Net difference between projected and actual earnings on Pension Plan investments	1,019	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	27,954	25,983
City Pension Plan contributions subsequent to the measurement date	24,068	-
	\$ 201,125	\$ 25,983

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

7. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

HIS Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued) – A component of deferred outflows of resources related to the HIS Plan, totaling \$24,068 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan, except for changes in the proportion and related differences in the share of contributions will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2016	\$ 25,788
2017	25,788
2018	25,788
2019	25,581
2020	25,482
Thereafter	<u>20,674</u>
	<u><u>\$ 149,103</u></u>

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

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	4.29%

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

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

Discount Rate – The discount rate used to measure the total pension liability was 4.29%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

7. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

HIS Plan – Continued

Sensitivity of the City’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 4.29%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.29%) or one percentage point higher (5.29%) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
City’s proportionate share of the net pension liability (asset)	\$ 2,144,735	\$ 1,882,250	\$ 1,663,375

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

8. OTHER POST-EMPLOYMENT BENEFITS

All employee benefits terminate when employment with the City ends. Accordingly, the City has no post-employment benefit liability.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases insurance through commercial carriers which includes workers' compensation, comprehensive general liability, and automobile physical damage.

The remaining insurance coverage, which includes but is not limited to property, flood, inland marine, boiler and machinery, and fiduciary, is purchased from various commercial carriers. The City maintains minimal deductibles for insurance policies purchased through these carriers.

There has been no significant reduction in insurance coverage from prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

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

10. OPERATING LEASES

Rocky Bayou Country Club Lease

During 1998, the City entered into a land lease with Rocky Bayou Country Club for the purpose of a water well site. The initial payment of \$50,000 is amortized over 50 years, which is the life of the lease. Annual rent expense for this land is \$1,000, and has been accounted for in the Water and Sewer Enterprise Fund. At September 30, 2015, \$33,000 has been recorded as prepaid items.

Board of County Commissioners Lease

In October 2008, the City renewed an operating lease with the Board of County Commissioners for office space within the City's Public Library building for the purpose of housing the Okaloosa County Public Library Co-operative headquarters. The lease period is two years, providing annual lease income of \$13,000. The lease automatically renews, unless cancelled by either party. For the year ended September 30, 2015, \$13,000 was recognized as income and included as a component of charges for services in the General Fund.

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

11. LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

Long-term debt activity for the year ended September 30, 2015, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Governmental activities					
Sales Tax Revenue Refunding Bonds, Series 2011	\$ 736,362	\$ -	\$ (140,881)	\$ 595,481	\$ 143,715
Gas Tax Revenue Refunding Bonds, Series 2011	1,064,923	-	(205,641)	859,282	207,511
Capital Lease - Dell Equipment	145,470	-	(46,670)	98,800	48,463
Capital Lease - Radio Consoles	60,927	-	(19,346)	41,581	20,293
Compensated absences	516,532	242,584	(262,928)	496,188	124,652
Total governmental activities	<u>\$ 2,524,214</u>	<u>\$ 242,584</u>	<u>\$ (675,466)</u>	<u>\$ 2,091,332</u>	<u>\$ 544,634</u>
Business-type activities					
Water and Sewer Refunding Bonds, Series 1993*	\$ 1,313,082	\$ 68,853	\$ (370,000)	\$ 1,011,935	\$ 370,000
Less deferred amount for bond discount	(3,846)	-	1,004	(2,842)	-
Water and sewer revenue refunding bonds, Series 20011A,B,C	3,781,377	-	(503,820)	3,277,557	485,958
Water and Sewer Revenue Bonds, Series 2012A	905,000	-	(75,000)	830,000	100,000
Water and Sewer Revenue Bonds, Series 2012B	1,540,000	-	-	1,540,000	-
Water and Sewer Revenue Bonds, Series 2014	5,244,300	-	(71,300)	5,173,000	72,600
Florida DEP State Revolving Loan, 2002A	304,450	-	-	304,450	-
Florida DEP State Revolving Loan, 2005A	284,487	-	(389)	284,098	-
Florida DEP State Revolving Loan, 2005B	405,837	-	-	405,837	-
Florida DEP State Revolving Loan, 2010	421,706	-	-	421,706	-
Florida DEP State Revolving Loan, 2011	1,865,754	-	(80,723)	1,785,031	106,797
Florida DEP State Revolving Loan, 2012	333,113	-	(14,425)	318,688	44,831
Florida DEP State Revolving Loan, 2015	-	440,188	(114,384)	325,804	10,632
Lease payable 2013	1,218,000	-	(124,000)	1,094,000	127,000
Compensated absences	171,758	80,480	(68,286)	183,952	49,613
Total business-type activities	<u>\$ 17,785,018</u>	<u>\$ 589,521</u>	<u>\$ (1,421,323)</u>	<u>\$ 16,953,216</u>	<u>\$ 1,367,431</u>

* Increases in the Water and Sewer Refunding Bond Series 1993 represent accretion of interest on capital appreciation bonds.

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

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
<i>Sales Tax Revenue Refunding Bonds</i>			
\$1,009,101 Sales Tax Revenue Refunding Bonds, Series 2011, 1.97% serial bonds due in annual principal installments of \$134,823 to \$156,366, beginning October 1, 2012, through October 1, 2018; pledged by sales tax revenues. Bond proceeds were utilized for the current refunding of the Sales Tax Revenue Bonds, Series 2003 as of September 28, 2011.	\$ 143,715	\$ 451,766	\$ 595,481
<i>Gas Tax Revenue Refunding Bonds</i>			
\$1,459,829 Gas Tax Revenue Refunding Bonds, Series 2011, 1.97% serial bonds due in annual principal installments of \$196,327 to \$221,928, beginning October 1, 2012, through October 1, 2018; pledged by gas tax revenues. Bond proceeds were utilized for the current refunding of the Gas Tax Revenue Bonds, Series 2011 as of September 28, 2011.	207,511	651,771	859,282
<i>Capital Lease – Dell Equipment</i>			
During the year ended September 30, 2014, the City entered into a 48 month capital lease agreement for the lease of computer servers beginning March 1, 2014 through March 1, 2018, in the amount of \$197,765 at an interest rate of 6%. The lease calls for four annual payments of \$52,295.	48,463	50,337	98,800
<i>Capital Lease – Radio Consoles</i>			
During the year ended September 30, 2014, the City entered into a 48 month capital lease agreement for the lease of radio consoles beginning May 1, 2014 through May 1, 2018, in the amount of \$83,256 at an interest rate of 7%. The lease calls for four annual payments of \$22,329.	20,293	21,288	41,581
<i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	124,652	371,536	496,188
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 544,634</u>	<u>\$ 1,546,698</u>	<u>\$ 2,091,332</u>

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

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES			
<i>Revenue Bonds</i>			
\$2,336,065 Water and Sewer Refunding Bonds, capital appreciation bonds with no stated interest rate, effective interest rate of 5.5% to 5.7% compounded semi-annually through June 1, 2018; issued in denominations of \$5,000 maturity value due in annual installments of \$10,000 to \$370,000 from June 1, 2007, through June 1, 2018; pledged by net revenues derived from water and sewer system.	\$ 370,000	\$ 641,935	\$ 1,011,935
Less unamortized bond discount	-	(2,842)	(2,842)
\$5,000,000 Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C, serial bonds issued in December 2011 and due in annual installments ranging from \$58,940 to \$590,421, from October 1, 2012, through October 1, 2031; interest rates range from 1.98% to 3.65% over the life of the bonds; bond proceeds used to fully refund outstanding principal the Water and Sewer Note Payable, principal on the City's various State Revolving Fund Loans, and funding future capital projects; pledged by net revenues derived from water and sewer system.	485,958	2,791,599	3,277,557

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

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES – Continued			
<i>Revenue Bonds – Continued</i>			
\$960,000 Water and Sewer Revenue Bonds 2012A serial bonds issued in July 2012 and due in annual installments ranging from \$3,475 to \$264,706, from October 1, 2012, through October 1, 2019; interest rate is 1.81% over the life of the bonds; bond proceeds used finance the cost of capital improvements to the water and sewer facilities of the City; pledged by net revenues derived from water and sewer system.	100,000	730,000	830,000
\$1,540,000 Water and Sewer Revenue Bonds 2012B serial bonds issued in July 2012 and due in annual installments ranging from \$10,133 to \$225,666, from October 1, 2012, through October 1, 2027; interest rate is 3.29% over the life of the bonds; bond proceeds used finance the cost of capital improvements to the water and sewer facilities of the City; pledged by net revenues derived from water and sewer system.	-	1,540,000	1,540,000
\$5,504,800 Water and Sewer Revenue Bonds, Series 2014, serial bonds due in bi-annual installments of \$3,800 to \$478,980, from June 1, 2014, through June 1, 2030; interest rates range from 2.46% to 2.64% over the life of the bonds; bond proceeds used to refund the 2005 Water and Sewer Revenue Bonds and to finance construction of extensions, additions and improvements to the Water and Sewer System; pledged by net revenues derived from water and sewer system.	72,600	5,100,400	5,173,000
<i>Total Revenue Bonds</i>	<u>1,028,558</u>	<u>10,801,092</u>	<u>11,829,650</u>

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

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES – Continued			
<i>State Revolving Loans</i>			
<p>\$2,304,000 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments including capitalized interest of \$80,609 including interest at 3.09% beginning March 15, 2004, through September 15, 2023. Proceeds used to construct Reclaimed Water Facility. In December 2011, the City used proceeds from Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C to make an advance principal payment on the loan in the amount of \$1,252,749. As a result of the advance payment, the City is making semiannual interest only payments of \$4,687 through March 15, 2022, at which time semiannual principal and interest payments totaling \$78,799 will resume.</p>	-	304,450	304,450
<p>\$900,028 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments including capitalized interest of \$17,177 including interest at 4% beginning July 15, 2006, through January 15, 2026; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations. Proceeds used to finance the Bayshore Sewer Rehabilitation Project. In December 2011, the City used proceeds from Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C to make an advance principal payment on the loan in the amount of \$462,811. As a result of the advance payment, the City is making semiannual interest only payments of \$4,414 through January 15, 2022, at which time semiannual principal and interest payments totaling \$35,391 will resume.</p>	-	284,098	284,098

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

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES – Continued			
<i>State Revolving Loans – Continued</i>			
<p>\$1,295,558 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments including capitalized interest of \$43,725 including interest at 2.78% beginning March 15, 2007, through September 15, 2026; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations. Proceeds used to finance a 2.0 MGD filter additional to the Reclaimed Water System. In December 2011, the City used proceeds from Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C to make an advance principal payment on the loan in the amount of \$654,031. As a result of the advance payment, the City is making semiannual interest only payments of \$5,523 through March 15, 2022, at which time semiannual principal and interest payments totaling \$43,683 will resume.</p>	-	405,837	405,837
<p>\$1,582,026 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of \$28,486 including capitalized interest of \$3,698 including interest at 2.96% beginning November 15, 2010, through May 15, 2030; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations.. Proceeds used to finance the combination of lift stations #3 and #4. In December 2011, the City used proceeds from Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C to make an advance principal payment on the loan in the amount of \$378,833. As a result of the advance payment, the City is making semiannual interest only payments of \$6,296 through May 15, 2022, at which time semiannual principal and interest payments totaling \$28,487 will resume.</p>	-	421,706	421,706

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

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES – Continued			
<i>State Revolving Loans – Continued</i>			
\$2,134,476 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments including capitalized interest of \$71,605 including interest at 2.76% beginning December 15, 2012, through June 15, 2021; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations. Proceeds used to finance the construction of the new City Hall Pump Station.	106,797	1,678,234	1,785,031
\$765,234 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of \$25,749, including interest at 2.76%, beginning May 15, 2012, through May 15, 2017; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations.. Proceeds used to finance pump station rehabilitation projects.	44,831	273,857	318,688
\$440,188 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of \$11,432, including interest at 2.850%, beginning August 15, 2016, through August 15, 2034; payments in Fiscal Year 2015 totaled \$119,434 and a payment of \$6,565 will be paid on February 15, 2016; pledged by gross revenues derived from stormwater utility fees. Proceeds used to finance Wastewater Treatment Facility Construction.	10,632	315,172	325,804
<i>Total State Revolving Loans</i>	<u>162,260</u>	<u>3,683,354</u>	<u>3,845,614</u>

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

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	Current	Long-Term	Total
BUSINESS-TYPE ACTIVITIES – Continued			
<i>Lease Payable</i>			
<p>\$1,340,000 lease payable to Regions Equipment Finance Corporation; Proceeds used to finance the City's meter reading equipment upgrade project; interest rate of 1.77%; beginning May 24, 2013 through April 1, 2023; Interest paid semiannually beginning October 1, 2013; principal paid annually beginning April 1, 2014. The carrying value of the equipment under the capital lease as of September 30, 2013 is \$1,294,780 (cost basis of \$1,294,780; accumulated depreciation of \$0) with \$31,142 of cash being held by the City to purchase the remainder of the equipment; \$14,078 of the proceeds were used to pay issuance costs.</p>	127,000	967,000	1,094,000
 <i>Accrued Compensated Absences</i>			
<p>Accumulated, vested annual compensation for Enterprise Funds</p>	49,613	134,339	183,952
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 1,367,431	\$ 15,585,785	\$ 16,953,216
 GRAND TOTAL LONG-TERM DEBT			\$ 19,044,548

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

11. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2015, are as follows:

Governmental Activities						
Year Ending September 30	Sales Tax Revenue Refunding Bonds, Series 2011		Gas Tax Revenue Refunding		Capital Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 143,715	\$ 10,315	\$ 207,511	\$ 14,884	\$ 68,756
2017	146,417	7,458	214,185	10,730	71,625	2,999
2018	148,983	4,548	215,658	6,496	-	-
2019	156,366	1,540	221,928	2,186	-	-
Total	<u>\$ 595,481</u>	<u>\$ 23,861</u>	<u>\$ 859,282</u>	<u>\$ 34,296</u>	<u>\$ 140,381</u>	<u>\$ 8,866</u>

Business-Type Activities						
Year Ending September 30	Water and Sewer Revenue Bonds		State Revolving Loans		Lease Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
	2016	\$ 1,028,558	\$ 192,781	\$ 162,260	\$ 92,285	\$ 127,000
2017	1,056,162	162,824	168,325	91,087	130,000	17,116
2018	990,616	131,771	172,384	87,028	133,000	14,814
2019	955,863	112,566	176,542	82,870	136,000	12,460
2020	983,924	99,896	180,801	78,611	138,000	10,054
2021-2025	3,585,024	326,121	1,834,725	356,967	430,000	15,294
2026-2030	3,116,811	136,353	1,066,608	68,517	-	-
2031-2034	112,692	4,660	83,969	6,261	-	-
Total	<u>\$ 11,829,650</u>	<u>\$ 1,166,973</u>	<u>\$ 3,845,614</u>	<u>\$ 863,626</u>	<u>\$ 1,094,000</u>	<u>\$ 89,102</u>

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

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2015, is as follows:

Due to/from Other Funds		Amount
Receivable Fund	Payable Fund	
General	CRA	\$ 26,207
Water and Sewer	General	478,049
		\$ 504,256

Water and Sewer Fund receivables from the General Fund of \$478,049 results from temporary advances made for various street, parks and public safety projects and the General Fund receivable from the Stormwater Fund results from temporary advances made for land acquisitions.

Transfers Out	Transfers In
	General Fund
Sanitation	\$ 180,000
Stormwater	80,000
	\$ 260,000

Transfers between funds occur on a routine basis and are consistent with the activities of the fund making the transfer, contingent upon the availability of funds.

13. COMMITMENTS AND CONTINGENCIES

Reclaimed Water

The City has entered into an agreement to share equally in the costs to expand a reclaimed water system with Okaloosa County. The City will share equally with the County all future costs of capital expenditures, operations, major maintenance and repair, and billing and collection services. The agreement, signed in October 2002, has an initial term of 20 years, which may be continued for additional 10-year increments by mutual written consent of both parties.

Legal Matters

The City is involved in a property/utility easement dispute with a property owner. The City's attorney indicated a risk of potential exposure of \$445,000 plus attorney fees. As of the date of this report, no case has been filed, but litigation has been threatened. The City continues to vigorously defend its position in this matter. No accrual has been recorded as the outcome of the matter is undetermined at this time.

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

14. CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF NET POSITION

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. (GASB 68) as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* (GASB 71), effective for fiscal years beginning after June 15, 2014. The primary objective of these statement are to improve accounting and financial reporting by state and local governments for pensions. The impact of the City’s adoption of GASB 68 and GASB 71 in fiscal year 2015 requires the City to restate the beginning net position in both governmental activities as well as business-type activities statement of activities and the proprietary funds statement of revenues, expenses, and changes in net position in the amount of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension as of October 1, 2014. The City’s beginning net positions were decreased \$5,140,140 as detailed below:

	Governmental Activities	Business-Type Activities	
		Water and Sewer Fund	Sanitation Fund
Net positions, as previously reported	\$ 19,418,431	\$ 31,507,057	\$ 1,893,438
Restatement	(3,631,380)	(1,051,028)	(457,732)
Net positions, restated	<u>\$ 15,787,051</u>	<u>\$ 30,456,029</u>	<u>\$ 1,435,706</u>

15. DEFICIT IN FUND BALANCE

As of September 30, 2015, there was a deficit in the CRA Fund, due to expenses being greater than revenues.

16. SUBSEQUENT EVENT

Subsequent to year-end, the City’s fire department purchased a ladder fire truck for approximately \$850,000 through a lease/purchase financing agreement with a local financial institution.

CITY OF NICEVILLE, FLORIDA

INDIVIDUAL FUND STATEMENT

This financial statement provides a more detailed view of the Basic Financial Statements presented in the preceding section.

FIDUCIARY FUND - AGENCY FUND

Scholarship Agency Fund - Used to report resources held by the City to provide scholarship awards on a one-time basis to one or more recipients for college, vocational or other technical training aid, pursuant to provisions of the Katie W. Moody Estate and Will. Annual scholarships are awarded based on interest earned on corpus held in the Fund.

CITY OF NICEVILLE, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED SEPTEMBER 30, 2015

A-1

	Balances October 1, 2014	Additions	Deletions	Balances September 30, 2015
Assets				
Cash and cash equivalents	\$ 373,276	\$ 1,441	\$ -	\$ 374,717
Due from others	5,746	858	-	6,604
Total assets	\$ 379,022	\$ 2,299	\$ -	\$ 381,321
Liabilities				
Due to scholarship recipients	\$ 379,022	\$ 2,299	\$ -	\$ 381,321
Total liabilities	\$ 379,022	\$ 2,299	\$ -	\$ 381,321

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.021050316%	0.020333011%
City's proportionate share of the net pension liability (asset)	\$ 2,718,932	\$ 1,240,613
City's covered-employee payroll	\$ 5,942,512	\$ 5,500,317
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.75%	22.56%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

* The amounts presented for each fiscal year were determined as of 6/30.

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.018456270%	0.018096095%
City's proportionate share of the net pension liability (asset)	\$ 1,882,250	\$ 1,882,249
City's covered-employee payroll	\$ 5,942,512	\$ 5,500,317
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.67%	34.22%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

* The amounts presented for each fiscal year were determined as of 6/30.

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 513,225	\$ 445,379
Contributions in relation to the contractually required contribution	<u>(513,225)</u>	<u>(445,379)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,942,512	\$ 5,500,317
Contributions as a percentage of covered-employee payroll	8.64%	8.10%

* The amounts presented for each fiscal year were determined as of 6/30.

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 70,551	\$ 61,991
Contributions in relation to the contractually required contribution	<u>(70,551)</u>	<u>(61,991)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,942,512	\$ 5,500,317
Contributions as a percentage of covered-employee payroll	1.19%	1.13%

* The amounts presented for each fiscal year were determined as of 6/30.

III. STATISTICAL SECTION

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, and note disclosures says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

**CITY OF NICEVILLE, FLORIDA
NET POSITION BY COMPONENT
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 10,623,903	\$ 11,860,874	\$ 12,601,899	\$ 12,338,507	\$ 11,973,404	\$ 12,180,124	\$ 11,784,102	\$ 12,275,357	\$ 14,074,830	\$ 13,903,053
Restricted	2,318,752	2,536,382	1,502,000	1,347,899	1,110,010	841,612	1,178,772	1,201,788	1,152,851	1,062,837
Unrestricted	670,157	652,037	1,242,996	2,476,404	3,945,681	4,085,883	4,204,645	4,150,172	4,190,750	1,219,064
Total governmental activities net position	\$ 13,612,812	\$ 15,049,293	\$ 15,346,895	\$ 16,162,810	\$ 17,029,095	\$ 17,107,619	\$ 17,167,519	\$ 17,627,317	\$ 19,418,431	\$ 16,184,954
Business-type activities										
Net investment in capital assets	\$ 7,549,142	\$ 8,684,273	\$ 9,984,566	\$ 12,562,218	\$ 13,508,654	\$ 14,958,258	\$ 12,324,428	\$ 13,870,612	\$ 16,027,076	\$ 17,295,135
Restricted	7,871,700	9,055,957	8,556,990	7,274,463	5,865,385	7,317,567	11,822,494	8,136,742	6,638,645	7,306,340
Unrestricted	5,069,951	6,350,540	7,119,910	6,654,427	8,828,818	8,249,906	9,147,017	13,397,377	14,631,975	14,103,277
Total business-type activities net position	\$ 20,490,793	\$ 24,090,770	\$ 25,661,466	\$ 26,491,108	\$ 28,202,857	\$ 30,525,731	\$ 33,293,939	\$ 35,404,731	\$ 37,297,696	\$ 38,704,752
Primary government										
Net investment in capital assets	\$ 18,173,045	\$ 20,545,147	\$ 22,586,465	\$ 24,900,725	\$ 25,482,058	\$ 27,138,382	\$ 24,108,530	\$ 26,145,969	\$ 30,101,906	\$ 31,198,188
Restricted	10,190,452	11,592,339	10,058,990	8,622,362	6,975,395	8,159,179	13,001,266	9,338,530	7,791,496	8,369,177
Unrestricted	5,740,108	7,002,577	8,362,906	9,130,831	12,774,499	12,335,789	13,351,662	17,547,549	18,822,725	15,322,341
Total primary government net position	\$ 34,103,605	\$ 39,140,063	\$ 41,008,361	\$ 42,653,918	\$ 45,231,952	\$ 47,633,350	\$ 50,461,458	\$ 53,032,048	\$ 56,716,127	\$ 54,889,706

**CITY OF NICEVILLE, FLORIDA
CHANGES IN NET POSITION
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

FINANCIAL TRENDS - TABLE 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
General government	\$ 3,183,881	\$ 3,634,949	\$ 4,044,627	\$ 3,349,726	\$ 3,294,461	\$ 3,077,475	\$ 3,413,092	\$ 3,020,065	\$ 2,347,852	\$ 2,610,657
Public safety	2,476,804	2,735,866	2,929,502	2,916,035	2,711,006	2,673,711	2,806,190	2,978,101	3,158,636	3,344,371
Transportation	366,009	397,629	459,531	458,976	413,470	395,119	446,485	808,823	880,325	856,698
Internal services	—	—	—	—	—	—	—	—	632,591	622,187
Human services	45,910	43,005	50,240	50,465	50,315	50,540	50,540	50,315	56,000	82,245
Culture and recreation	2,695,513	2,864,543	2,655,571	2,305,489	2,247,876	2,321,253	2,296,560	2,370,249	2,294,223	2,377,996
Debt service interest	149,754	148,539	132,787	118,754	108,775	96,393	72,860	42,669	35,652	37,267
Total governmental activities expenses	8,917,871	9,824,531	10,272,258	9,199,445	8,825,903	8,614,491	9,085,727	9,270,222	9,405,279	9,931,421
Business-type activities										
Water and sewer	4,704,082	5,227,354	5,321,385	5,525,551	5,703,301	5,585,105	5,747,117	6,032,848	6,165,016	6,318,745
Sanitation	2,117,758	2,181,810	2,521,127	2,475,747	2,381,779	2,500,894	2,578,749	2,697,627	2,583,986	2,597,089
Stormwater utility - Non-Major Fund	287,089	205,789	126,596	147,554	233,647	192,640	344,731	253,213	328,466	299,143
Total business-type activities expenses	7,108,929	7,614,953	7,969,108	8,148,852	8,318,727	8,278,639	8,670,597	8,983,688	9,077,468	9,214,977
Total primary government expenses	\$ 16,026,800	\$ 17,439,484	\$ 18,241,366	\$ 17,348,297	\$ 17,144,630	\$ 16,893,130	\$ 17,756,324	\$ 18,253,910	\$ 18,482,747	\$ 19,146,398
Niceville-Valparaiso Regional Sewer Board, Inc.							\$ 1,604,853	\$ 1,614,148	\$ 1,772,274	\$ 2,091,837
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 2,350,631	\$ 2,713,053	\$ 2,889,988	\$ 3,118,414	\$ 1,916,363	\$ 1,926,069	\$ 1,786,272	\$ 1,791,966	\$ 1,754,970	\$ 2,236,981
Public safety	213,889	210,445	149,707	119,884	154,755	172,630	212,032	287,408	200,564	232,715
Transportation	74,545	47,150	85,067	54,143	83,251	54,629	71,734	60,701	102,026	74,479
Culture and recreation	148,077	145,935	277,361	205,976	167,764	115,757	117,859	133,293	206,116	273,401
Debt service interest	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	258,095	247,693	322,290	240,072	886,097	124,451	591,789	310,927	1,761,970	144,844
Capital grants and contributions	-	601,957	127,339	3,987	262,832	46,012	-	238,313	-	-
Total governmental activities program revenues	3,045,237	3,966,233	3,851,752	3,742,476	3,471,062	2,439,548	2,779,686	2,822,608	4,025,646	2,962,420
Business-type activities										
Charges for services										
Water and sewer	5,314,202	5,357,250	5,462,119	5,671,221	5,711,276	6,629,807	6,450,006	6,594,914	6,710,773	7,401,523
Sanitation	2,205,817	2,283,023	2,570,841	2,694,364	2,712,484	2,673,947	2,717,902	2,794,023	2,828,505	2,830,023
Other programs	224,862	264,170	359,886	382,421	387,020	413,062	425,818	444,198	453,029	465,594
Operating grants and contributions	-	11,491	-	-	134,450	-	-	-	-	-
Capital grants and contributions	896,961	2,489,705	759,093	183,932	584,798	669,740	756,433	1,099,718	860,527	965,859
Total business-type activities program revenues	8,641,842	10,405,639	9,151,939	8,931,938	9,530,028	10,386,556	10,350,159	10,932,853	10,852,834	11,662,999
Total primary government program revenues	\$ 11,687,079	\$ 14,371,872	\$ 13,003,691	\$ 12,674,414	\$ 13,001,090	\$ 12,826,104	\$ 13,129,845	\$ 13,755,461	\$ 14,878,480	\$ 14,625,419
Component Unit:							\$ 1,885,623	\$ 5,893,094	\$ 2,936,250	\$ 3,033,767
Niceville-Valparaiso Regional Sewer Board, Inc.										

**CITY OF NICEVILLE, FLORIDA
CHANGES IN NET POSITION -- CONTINUED
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

FINANCIAL TRENDS - TABLE 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expenses) Revenues										
Governmental activities	\$ (5,872,634)	\$ (5,858,298)	\$ (6,420,506)	\$ (5,456,969)	\$ (5,354,841)	\$ (6,174,943)	\$ (6,306,041)	\$ (6,447,614)	\$ (5,379,633)	\$ (6,969,001)
Business-type activities	1,532,913	2,790,686	1,182,831	783,086	1,211,301	2,107,917	1,679,562	1,949,165	1,775,366	2,448,022
Total primary government net expense	<u>\$ (4,339,721)</u>	<u>\$ (3,067,612)</u>	<u>\$ (5,237,675)</u>	<u>\$ (4,673,883)</u>	<u>\$ (4,143,540)</u>	<u>\$ (4,067,026)</u>	<u>\$ (4,626,479)</u>	<u>\$ (4,498,449)</u>	<u>\$ (3,604,267)</u>	<u>\$ (4,520,979)</u>
Component Unit:										
Niceville-Valparaiso Regional Sewer Board, Inc.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280,770	\$ 4,278,946	\$ 1,163,976	\$ 941,930
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 2,213,603	\$ 2,783,565	\$ 2,855,150	\$ 2,582,847	\$ 2,622,000	\$ 2,644,601	\$ 2,662,471	\$ 2,780,076	\$ 2,911,635	\$ 3,099,280
Utility service taxes	1,583,300	1,602,438	1,590,451	1,629,254	1,755,119	1,783,238	1,771,278	1,812,978	1,889,457	1,961,807
Municipal revenue sharing, intergovernmental	1,933,837	1,895,751	1,784,367	1,519,115	1,517,382	1,617,858	1,696,042	1,759,660	1,875,288	1,991,998
Gain (loss) on disposal of asset	1,291,512	1,755	-	-	-	-	-	-	-	-
Miscellaneous	437,682	703,186	89,608	101,573	111,094	60,701	110,127	89,123	32,945	35,175
Investment earnings	132,692	227,134	179,663	116,902	75,531	47,069	26,023	25,575	21,422	18,644
Transfers	135,110	80,950	218,869	323,193	140,000	100,000	100,000	440,000	440,000	260,000
Total governmental activities	<u>7,727,736</u>	<u>7,294,779</u>	<u>6,718,108</u>	<u>6,272,884</u>	<u>6,221,126</u>	<u>6,253,467</u>	<u>6,365,941</u>	<u>6,907,412</u>	<u>7,170,747</u>	<u>7,366,904</u>
Business-type activities										
Miscellaneous	202,623	147,591	77,606	91,951	107,315	159,992	129,523	179,934	172,072	194,079
Equity earnings in joint venture	-	-	-	-	380,079	101,436	233,285	388,678	353,962	498,401
Contribution other govt-equity in joint venture	-	-	-	-	380,079	101,436	787,280	-	-	-
Gain (loss) on disposal of asset	3,516	(45,870)	-	-	-	-	-	-	-	-
Investment earnings	265,711	788,520	529,128	277,798	153,054	53,529	38,558	33,015	28,565	38,314
Transfers	(135,110)	(80,950)	(218,869)	(323,193)	(140,000)	(100,000)	(100,000)	(440,000)	(440,000)	(260,000)
Total business-type activities	<u>336,740</u>	<u>809,291</u>	<u>387,865</u>	<u>46,556</u>	<u>880,527</u>	<u>316,393</u>	<u>1,088,646</u>	<u>161,627</u>	<u>114,599</u>	<u>470,794</u>
Total primary government	<u>\$ 8,064,476</u>	<u>\$ 8,104,070</u>	<u>\$ 7,105,973</u>	<u>\$ 6,319,440</u>	<u>\$ 7,101,653</u>	<u>\$ 6,569,860</u>	<u>\$ 7,454,587</u>	<u>\$ 7,069,039</u>	<u>\$ 7,285,346</u>	<u>\$ 7,837,698</u>
Niceville-Valparaiso Regional Sewer Board, Inc.										
Miscellaneous							\$ 7,740	\$ 7,740	\$ 7,740	\$ 7,740
Investment earnings							3,096	2,451	6,469	6,549
Total component unit	<u>\$ -</u>	<u>\$ 10,836.00</u>	<u>\$ 10,191</u>	<u>\$ 14,209</u>	<u>\$ 14,289</u>					
Change in Net Position										
Governmental activities	\$ 1,855,102	\$ 1,436,481	\$ 297,602	\$ 815,915	\$ 866,285	\$ 78,524	\$ 59,900	\$ 459,798	\$ 1,791,114	\$ 397,903
Business-type activities	1,869,653	3,599,977	1,570,696	829,642	2,091,828	2,424,310	2,768,208	2,110,792	1,889,965	2,918,816
Total primary government	<u>\$ 3,724,755</u>	<u>\$ 5,036,458</u>	<u>\$ 1,868,298</u>	<u>\$ 1,645,557</u>	<u>\$ 2,958,113</u>	<u>\$ 2,502,834</u>	<u>\$ 2,828,108</u>	<u>\$ 2,570,590</u>	<u>\$ 3,681,079</u>	<u>\$ 3,316,719</u>
Niceville-Valparaiso Regional Sewer Board, Inc. (component unit)							\$ 291,606	\$ 4,289,137	\$ 1,178,185	\$ 956,219

**CITY OF NICEVILLE, FLORIDA
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Reserved	\$ 2,654,887	\$ 3,028,467	\$ 1,533,498	\$ 1,382,452	\$ 1,135,229	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	458,294	414,785	1,476,581	2,608,742	4,039,598	-	-	-	-	-
Nonspendable	-	-	-	-	-	33,482	31,332	35,649	31,014	33,136
Restricted	-	-	-	-	-	841,612	1,178,772	1,201,788	1,152,851	1,062,837
Assigned	-	-	-	-	-	1,047,203	1,227,121	1,677,027	1,766,731	1,699,048
Unassigned	-	-	-	-	-	3,406,197	3,407,813	2,923,926	2,909,537	3,392,316
Total General Fund	<u>\$ 3,113,181</u>	<u>\$ 3,443,252</u>	<u>\$ 3,010,079</u>	<u>\$ 3,991,194</u>	<u>\$ 5,174,827</u>	<u>\$ 5,328,494</u>	<u>\$ 5,845,038</u>	<u>\$ 5,838,390</u>	<u>\$ 5,860,133</u>	<u>\$ 6,187,337</u>
All other governmental funds										
Unreserved/unassigned, reported in										
Special Revenue Funds	<u>261,205</u>	<u>266,054</u>	<u>233,718</u>	<u>250,620</u>	<u>264,355</u>	-	-	-	-	(16,454)
Total all other governmental funds	<u>\$ 261,205</u>	<u>\$ 266,054</u>	<u>\$ 233,718</u>	<u>\$ 250,620</u>	<u>\$ 264,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,454)</u>

CITY OF NICEVILLE, FLORIDA
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

FINANCIAL TRENDS - TABLE 4

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Taxes	\$ 4,740,081	\$ 5,389,062	\$ 4,234,574	\$ 3,963,949	\$ 4,145,876	\$ 4,214,532	\$ 4,252,829	\$ 4,392,496	\$ 4,717,739	\$ 5,018,650
Licenses, fees and permits	196,234	174,893	1,144,642	1,281,782	1,356,038	1,390,147	1,324,796	1,333,336	1,432,316	1,541,487
Intergovernmental	2,371,025	2,933,499	2,645,404	2,241,946	3,132,286	2,215,508	2,682,401	2,722,671	3,959,862	2,432,978
Charges for services	328,919	424,262	431,724	503,227	580,273	598,464	575,712	622,706	523,554	626,246
Fines	87,164	116,416	76,543	80,670	65,083	66,593	73,740	104,113	58,791	58,323
Miscellaneous	<u>1,895,188</u>	<u>988,811</u>	<u>439,035</u>	<u>299,345</u>	<u>272,631</u>	<u>107,764</u>	<u>136,149</u>	<u>114,704</u>	<u>345,155</u>	<u>391,643</u>
Total revenues	<u>9,618,611</u>	<u>10,026,943</u>	<u>8,971,922</u>	<u>8,370,919</u>	<u>9,552,187</u>	<u>8,593,008</u>	<u>9,045,627</u>	<u>9,290,026</u>	<u>11,037,417</u>	<u>10,069,327</u>
Expenditures										
General government	1,046,928	1,232,394	1,086,517	982,468	2,088,978	1,846,324	2,128,281	1,986,068	1,970,831	2,263,689
Public safety	2,342,736	2,505,906	2,693,209	2,663,960	2,440,452	2,472,693	2,669,849	2,831,053	2,927,718	3,202,573
Transportation	247,879	266,855	301,387	281,023	246,665	256,304	313,490	674,068	729,349	712,648
Internal service	858,213	851,487	1,108,547	1,064,584	893,900	882,579	913,405	673,423	632,591	652,611
Human services	45,910	43,005	109,866	50,465	50,315	50,540	50,540	50,315	56,000	82,245
Culture and recreation	2,479,763	2,633,427	2,418,086	2,139,294	1,987,135	2,069,018	2,050,449	2,139,485	2,045,393	2,179,723
Capital outlay	2,717,019	1,796,892	1,402,943	434,287	413,599	708,775	430,209	1,008,443	2,647,021	475,283
Debt service										
Principal	242,574	294,468	402,958	255,000	265,000	565,000	-	331,150	411,119	412,538
Interest	<u>149,754</u>	<u>148,539</u>	<u>132,787</u>	<u>118,754</u>	<u>108,775</u>	<u>96,393</u>	<u>72,860</u>	<u>42,669</u>	<u>35,652</u>	<u>37,267</u>
Total expenditures	<u>10,130,776</u>	<u>9,772,973</u>	<u>9,656,300</u>	<u>7,989,835</u>	<u>8,494,819</u>	<u>8,947,626</u>	<u>8,629,083</u>	<u>9,736,674</u>	<u>11,455,674</u>	<u>10,018,577</u>
Excess of revenues over (under) expenditures	(512,165)	253,970	(684,378)	381,084	1,057,368	(354,618)	416,544	(446,648)	(418,257)	50,750
Other Financing Sources (Uses)										
Proceeds from borrowing	230,000	-	-	-	-	-	-	-	-	-
Proceeds from refunding	-	-	-	-	-	2,468,930	-	-	-	-
Retirement of debt	-	-	-	-	-	(2,325,000)	-	-	-	-
Transfers in	2,778,462	2,672,681	2,825,178	3,385,427	3,068,587	3,084,959	100,000	440,000	440,000	260,000
Transfers out	<u>(2,643,352)</u>	<u>(2,591,731)</u>	<u>(2,606,309)</u>	<u>(2,768,494)</u>	<u>(2,928,587)</u>	<u>(2,984,959)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>365,110</u>	<u>80,950</u>	<u>218,869</u>	<u>616,933</u>	<u>140,000</u>	<u>243,930</u>	<u>100,000</u>	<u>440,000</u>	<u>440,000</u>	<u>260,000</u>
Net changes in fund balances	<u>\$ (147,055)</u>	<u>\$ 334,920</u>	<u>\$ (465,509)</u>	<u>\$ 998,017</u>	<u>\$ 1,197,368</u>	<u>\$ (110,688)</u>	<u>\$ 516,544</u>	<u>\$ (6,648)</u>	<u>\$ 21,743</u>	<u>\$ 310,750</u>
Debt service as a percentage of noncapital expenditures	5.29%	5.55%	6.49%	4.95%	4.63%	8.03%	0.89%	4.28%	5.07%	4.71%

**CITY OF NICEVILLE, FLORIDA
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 (UNAUDITED)
 LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2006	\$ 1,281,559,974	\$ 1,473,793,970	\$ 47,619,607	\$ 54,762,548	\$ 1,329,179,581	\$ 1,528,556,518	0.87	3.500
2007	\$ 1,362,018,949	\$ 1,566,321,791	\$ 50,878,591	\$ 58,510,380	\$ 1,412,897,540	\$ 1,624,832,171	0.87	3.267
2008	\$ 1,298,310,689	\$ 1,493,057,292	\$ 55,575,808	\$ 63,912,179	\$ 1,353,886,497	\$ 1,556,969,471	0.87	3.200
2009	\$ 1,033,019,943	\$ 1,187,972,934	\$ 51,741,978	\$ 59,503,275	\$ 1,084,761,921	\$ 1,247,476,209	0.87	3.450
2010	\$ 999,139,246	\$ 1,149,010,133	\$ 48,203,172	\$ 48,203,172	\$ 1,047,342,418	\$ 1,197,213,305	0.87	3.630
2011	\$ 999,764,938	\$ 1,149,729,679	\$ 44,550,042	\$ 44,550,042	\$ 1,044,314,980	\$ 1,194,279,721	0.87	3.650
2012	\$ 1,017,090,334	\$ 1,169,653,884	\$ 47,686,851	\$ 47,686,851	\$ 1,064,777,185	\$ 1,217,340,735	0.87	3.700
2013	\$ 1,056,771,282	\$ 1,215,286,974	\$ 47,009,810	\$ 47,009,810	\$ 1,103,781,092	\$ 1,262,296,784	0.87	3.700
2014	\$ 1,119,117,558	\$ 1,286,985,191	\$ 48,414,529	\$ 48,414,529	\$ 1,167,532,087	\$ 1,335,399,720	0.87	3.700
2015	\$ 1,183,016,797	\$ 1,369,496,316	\$ 53,037,164	\$ 53,037,164	\$ 1,236,053,961	\$ 1,422,533,480	0.87	3.700

Source: Okaloosa County Property Appraiser's Office

REVENUE CAPACITY - TABLE 6
CITY OF NICEVILLE, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
(UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended September 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2006	\$ 2,290,611	\$ 2,288,267	99.90%	2,033	\$ 2,290,300	99.99%
2007	\$ 2,881,542	\$ 2,879,078	99.91%	2,451	\$ 2,881,529	100.00%
2008	\$ 2,637,560	\$ 2,581,226	97.86%	4,936	\$ 2,586,162	98.05%
2009	\$ 2,708,605	\$ 2,672,327	98.66%	4,091	\$ 2,676,418	98.81%
2010	\$ 2,716,199	\$ 2,468,901	90.90%	2,808	\$ 2,471,709	91.00%
2011	\$ 2,744,174	\$ 2,496,716	90.98%	979	\$ 2,497,695	91.02%
2012	\$ 2,756,699	\$ 2,522,748	91.51%	1,495	\$ 2,524,243	91.57%
2013	\$ 2,879,890	\$ 2,621,636	91.03%	1,558	\$ 2,623,194	91.09%
2014	\$ 3,015,836	\$ 2,755,031	91.35%	4,234	\$ 2,759,265	91.49%
2015	\$ 3,218,758	\$ 2,947,195	91.56%	1,989	\$ 2,949,184	91.62%

Source: Okaloosa County Tax Collector

REVENUE CAPACITY - TABLE 7
CITY OF NICEVILLE, FLORIDA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER \$100 OF ASSESSED VALUE
(UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates**	
	Operating Millage	Debt Service Millage	Total Direct	Okaloosa County	School District
2006	3.5000	-	3.5000	3.6500	7.7860
2007	3.2669	-	3.2669	3.3443	7.6390
2008	3.2000	-	3.2000	3.2995	7.6240
2009	3.4500	-	3.4500	3.2899	7.6390
2010	3.6301	-	3.6301	3.2900	7.5340
2011	3.6500	-	3.6500	3.2899	7.7690
2012	3.7000	-	3.7000	3.2899	7.4760
2013	3.7000	-	3.7000	3.4308	7.5510
2014	3.7000	-	3.7000	3.4308	7.4410
2015	3.7000	-	3.7000	3.4308	7.2790

Source: Okaloosa County Property Appraiser's Office

**Overlapping rates are those of local and county governments that apply to property owners within the City.

REVENUE CAPACITY - TABLE 8

CITY OF NICEVILLE, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Okaloosa County School Board	\$ 41,648,000	10.80%	\$ 4,496,000
City direct debt:			
Sales tax revenue refunding bonds, Series 2011		100%	595,481
Gas tax revenue refundng bonds, Series 2011		100%	859,282
	<u>\$ 41,648,000</u>		<u>\$ 5,950,763</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Okaloosa County School Board. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Niceville. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

**CITY OF NICEVILLE, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

DEBT CAPACITY - TABLE 9

Fiscal Year	Governmental Activities						Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita Debt
	Sales Tax Revenue Bonds	Gas Tax Revenue Bonds	Sales Tax Refunding Bonds	Gas Tax Refunding Bonds	Capital Lease Payable	Note Payable	Water and Sewer Revenue Bonds	State Revolving Loans	Notes Payables	Capital Lease Payable			
2006	\$ 1,600,000	\$ 2,295,000	\$ -	\$ -	\$ -	\$ 212,426	\$ 8,940,116	\$ 6,286,814	\$ 1,065,000	\$ -	\$ 20,399,356	1.58%	\$ 1,567
2007	\$ 1,500,000	\$ 2,155,000	\$ -	\$ -	\$ -	\$ 157,958	\$ 8,740,657	\$ 5,193,618	\$ 890,000	\$ -	\$ 18,637,233	1.78%	\$ 1,429
2008	\$ 1,400,000	\$ 2,010,000	\$ -	\$ -	\$ -	\$ -	\$ 7,361,859	\$ 5,318,772	\$ 1,875,000	\$ -	\$ 17,965,631	1.80%	\$ 1,377
2009	\$ 1,295,000	\$ 1,860,000	\$ -	\$ -	\$ -	\$ -	\$ 7,252,486	\$ 5,692,046	\$ 1,600,000	\$ -	\$ 17,699,532	2.16%	\$ 1,356
2010	\$ 1,185,000	\$ 1,705,000	\$ -	\$ -	\$ -	\$ -	\$ 7,257,361	\$ 6,036,765	\$ 1,310,000	\$ -	\$ 17,494,126	2.19%	\$ 1,321
2011	\$ -	\$ -	\$ 1,009,101	\$ 1,459,829	\$ -	\$ -	\$ 6,877,725	\$ 6,897,237	\$ 885,000	\$ -	\$ 17,128,892	2.21%	\$ 1,335
2012	\$ -	\$ -	\$ 1,009,101	\$ 1,459,829	\$ -	\$ -	\$ 13,740,013	\$ 4,816,914	\$ -	\$ -	\$ 21,025,857	1.66%	\$ 1,625
2013	\$ -	\$ -	\$ 874,278	\$ 1,263,502	\$ -	\$ -	\$ 12,825,997	\$ 3,689,886	\$ -	\$ 1,340,000	\$ 19,993,663	1.73%	\$ 1,568
2014	\$ -	\$ -	\$ 736,362	\$ 1,064,923	\$ 206,397	\$ -	\$ 12,779,913	\$ 3,615,347	\$ -	\$ 1,218,000	\$ 19,620,942	2.08%	\$ 1,504
2015	\$ -	\$ -	\$ 595,481	\$ 859,282	k	\$ -	\$ 11,829,650	\$ 3,845,614	\$ -	\$ 1,094,000	\$ 18,224,027	2.34%	\$ 1,369

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Sources: Information was provided by the Local Chamber of Commerce

**CITY OF NICEVILLE, FLORIDA
PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Water and Sewer Utility	Less Operating Expenses	Net Available Revenue	Water and Sewer Revenue Bonds Debt Service		State Revolving Loans Debt Service		Notes Payable Debt Service		Capital Leases*		Total Coverage
	Charges			Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2006	\$ 5,314,202	\$ 3,300,348	\$ 2,013,854	\$ 350,000	\$ 314,474	\$ 165,181	\$ 108,637	\$ 165,000	\$ 57,375	\$ -	\$ -	1.74
2007	\$ 5,357,250	\$ 3,687,562	\$ 1,669,688	\$ 355,000	\$ 312,592	\$ 204,742	\$ 152,540	\$ 175,000	\$ 48,649	\$ -	\$ -	1.34
2008	\$ 5,459,563	\$ 3,603,796	\$ 1,855,767	\$ 370,000	\$ 419,386	\$ 285,713	\$ 145,038	\$ 185,000	\$ 39,275	\$ -	\$ -	1.28
2009	\$ 5,671,221	\$ 3,813,967	\$ 1,857,254	\$ 290,000	\$ 347,260	\$ 247,889	\$ 149,619	\$ 275,000	\$ 75,435	\$ -	\$ -	1.34
2010	\$ 5,711,276	\$ 3,917,129	\$ 1,794,147	\$ 165,000	\$ 344,627	\$ 335,897	\$ 221,431	\$ 290,000	\$ 62,039	\$ -	\$ -	1.26
2011	\$ 6,629,807	\$ 3,955,406	\$ 2,674,401	\$ 401,101	\$ 342,364	\$ 336,787	\$ 135,172	\$ 425,000	\$ 53,828	\$ -	\$ -	1.58
2012	\$ 6,450,006	\$ 4,127,071	\$ 2,322,935	\$ 656,337	\$ 364,110	\$ 456,486	\$ 135,172	\$ 105,000	\$ 35,530	\$ -	\$ -	1.33
2013	\$ 6,594,914	\$ 4,310,852	\$ 2,284,062	\$ 932,009	\$ 497,033	\$ 158,074	\$ 102,040	\$ -	\$ -	\$ -	\$ 8,367	1.35
2014	\$ 6,710,773	\$ 4,284,869	\$ 2,425,904	\$ 479,478	\$ 358,730	\$ 74,539	\$ 104,246	\$ -	\$ -	\$ 122,000	\$ 8,500	2.11
2015	\$ 7,305,600	\$ 4,571,157	\$ 2,734,443	\$ 650,120	\$ 153,434	\$ 95,537	\$ 181,787	\$ -	\$ -	\$ 124,000	\$ 6,500	2.26

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

DEMOGRAPHIC AND ECONOMIC INFORMATION - TABLE 11

CITY OF NICEVILLE, FLORIDA
 PRINCIPAL PROPERTY TAXPAYERS
 (UNAUDITED)
 CURRENT AND NINE YEARS AGO

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Valparaiso Realty	\$ 16,412,782	1	1.86%	\$ 23,018,390	1	2.61%
Ruckel Properties, Inc.	8,535,463	2	0.97%	14,058,585	2	1.59%
Gulf Power Company	8,220,405	3	0.93%	6,217,503	3	0.70%
HCA	5,461,787	4	0.62%	4,960,128	6	0.64%
Wal-Mart Stores East LP	5,432,444	5	0.62%			
Mill Creek Village, Inc.	5,280,945	6	0.60%	5,739,006	4	0.65%
Sunbelt Rentals #268	4,653,674	7	0.53%			
VRC Crossings Rocky Bayou LLC	4,541,514	8	0.51%			0.00%
Okaloosa Hospital Inc. 30948	4,364,398	9	0.49%			
Embarq Corp.	3,832,913	10	0.43%			
Nations Rent				5,335,185	5	0.60%
Twin Cities Hospital				4,805,197	7	0.54%
Kmart Corp				3,516,678	8	0.40%
Cox Comm Inc, Niceville				3,409,102	9	0.39%
Sprint Florida, Inc				3,308,969	10	0.38%
Total	\$ 66,736,325		7.56%	\$ 74,368,743		9.60%
Total Taxable Assessed Value of Other Taxpayers	\$ 815,437,621		92.44%	\$ 700,153,436		90.40%
Total Taxable Assessed Value	\$ 882,173,946		100.00%	\$ 774,522,179		100.00%

Source: Okaloosa County Property Appraiser's Office

DEMOGRAPHIC ECONOMIC INFORMATION - TABLE 12

CITY OF NICEVILLE, FLORIDA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Year	Population	Personal Income*	Per Capita Personal Income	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2006	13,021	\$ 322,166	\$ 24,742	14	21,387	2.3%
2007	13,044	\$ 331,318	\$ 25,400	14	21,273	2.3%
2008	13,049	\$ 323,824	\$ 24,816	14	21,932	4.8%
2009	13,054	\$ 381,516	\$ 29,226	14	22,681	7.4%
2010	13,248	\$ 383,344	\$ 28,936	14	22,692	7.2%
2011	12,834	\$ 378,025	\$ 29,455	14	22,654	7.0%
2012	12,941	\$ 348,990	\$ 29,655	14	16,128	5.8%
2013	12,749	\$ 345,501	\$ 29,436	14	22,546	4.4%
2014	13,044	\$ 408,003	\$ 31,279	14	20,085	4.1%
2015	13,312	\$ 426,596	\$ 32,046	14	19,114	4.2%

*Thousands of dollars

Sources: Population and education level information provided by the University of Florida. Personal income and unemployment data provided by the Local Chamber of Commerce. School enrollment data provided by the Okaloosa County School Board.

**CITY OF NICEVILLE, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Physical arrests	571	687	709	491	448	540	419	367	412	367
Traffic violations	1,911	3,668	3,443	2,546	2,782	1,933	3,167	2,731	2,371	2,254
Fire										
Emergency responses	928	982	1,031	1,073	1,207	1,309	1,536	1,514	1,663	1,720
Inspections	418	425	723	676	401	303	350	439	506	350
Building										
Permits issued	396	275	350	273	377	452	624	1,991	1,775	1,818
Library										
Volumes in collection	56,394	57,988	61,316	66,656	70,933	69,100	71,266	73,294	74,370	77,144
Water										
New connections	109	61	30	24	62	89	124	148	123	128
Average daily consumption (thousands of gallons)	3,003	2,089	3,764	2,578	3,708	3,541	2,348	2,246	2,401	2,314

Sources: Various City departments.

Note: Indicators are not available for the general government function.

OPERATING INFORMATION - TABLE 14

**CITY OF NICEVILLE, FLORIDA
FULL-TIME EQUIVALENT - CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government										
Executive	2	2	2	2	2	2	2	2	2	2
Financial and administrative	6	6	6	6	6	6	5	6	7	7
Planning	1	1	1	1	1	1	0	0	0	0
Building	3	3	3	3	3	3	3	2	2	2
Other	2	2	7	7	7	8	8	10	9	8
Public safety										
Police	23	23	25	25	25	30	30	29	32	32
Fire	6	6	6	6	6	11	11	11	13	16
Physical environment										
Other public works	8	8	12	12	12	15	14	10	10	15
Transportation	6	6	5	5	5	5	4	6	5	3
Human services	0	0	0	0	0	0	0	0	0	0
Culture and recreation										
Parks and recreation	23	23	17	17	17	17	17	17	18	20
Library	8	8	8	8	8	8	8	7	8	8
Water	20	20	16	16	16	16	16	16	17	18
Sanitation	10	10	9	9	9	10	10	9	9	11
Other	0	0	0	0	0	0	0	0	0	0
Total	118	118	117	117	117	132	128	125	132	142

Source: City Budget Office

**CITY OF NICEVILLE, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
(UNAUDITED)
LAST TEN FISCAL YEARS**

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	21	20	20	20	19	19	24	22	25	25
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	94.7	94.7	94.7	76.1	76.1	76.1	78.3	78.6	80.2	81
Streetlights	1,636	1,646	1,650	1,644	1,674	1,701	1,710	1,726	1,837	1,802
Parks and recreation										
Acreage	118.9	118.9	118.9	118.9	118.9	118.9	118.9	118.9	118.9	287.7
Mini-parks	4	4	4	4	4	4	4	4	4	4
Neighborhood parks	8	8	8	8	8	8	8	8	8	5
Community parks	12	12	12	12	12	12	12	12	12	17
Other parks	1	1	1	1	1	1	1	1	1	-
Water										
Water mains (miles)	126	126	126	126	126	126	126	126	126	126
Fire hydrants	561	565	640	640	667	693	693	715	729	732
Number of service connections	8,022	8,105	8,210	8,320	8,346	8,395	7,451	8,930	9,763	9,774
Storage capacity (thousands of gallons)	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	2,150
Wastewater										
Number of sanitary sewers	71	71	71	71	68	68	68	68	68	70
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	6,866	6,910	6,997	7,022	7,029	7,271	7,640	7,687	7,919	8,032
Storm sewers (miles)	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	33

Sources: Various City departments

Note: No capital asset indicators are available for the general government or library function.

DEMOGRAPHIC AND ECONOMIC INFORMATION - TABLE 16

CITY OF NICEVILLE, FLORIDA
 PRINCIPAL EMPLOYERS - CURRENT YEAR
 (UNAUDITED)
 CURRENT AND NINE YEARS AGO

<u>Taxpayer</u>	2015			2006		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Fort Walton Beach Medical Center	1050	1	0.55%	This information was not available at the time of CAFR completion.		
Jacobs Engineering Group, Inc.	1000	2	0.53%			
Lockheed Martin Corporation	800	3	0.42%			
InDyne, Inc.	800	4	0.42%			
North Okaloosa Medical Center	650	5	0.34%			
L-3 Crestview Aerospace	615	6	0.32%			
NEW (an Asurion Company)	560	7	0.29%			
The Boeing Company	450	8	0.24%			
White Wilson Medical Center	412	9	0.22%			
BAE Systems	380	10	0.20%			
Total	<u>6,717</u>		<u>3.53%</u>			
Total County Employment	<u>190,083</u> *					

Sources: Economic Development Council of Okaloosa County, Florida.

* US Department of Commerce, United States Census Bureau

IV. COMPLIANCE SECTION

- **OTHER SUPPLEMENTARY INFORMATION**
- **COMPLIANCE MATTERS**
- **MANAGEMENT LETTER**

CITY OF NICEVILLE, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
RELATED TO THE DEEPWATER HORIZON OIL SPILL
YEAR ENDED SEPTEMBER 30, 2015

<u>Source</u>	<u>Amount Received in the 2014-2015 Fiscal Year</u>	<u>Amount Expended in the 2014-2015 Fiscal Year</u>
British Petroleum:		
Final Settlement Economic and Property Damage Claim	\$ 285,732	\$ -

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF COMPLIANCE
REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR
GENERAL**

Honorable Mayor and City Council Members
City of Niceville, Florida

We have examined the City of Niceville, Florida's (the City) compliance with the following requirements for the year ended September 30, 2015.

- (1) Florida Statute 218.415 in regards to the investments.
- (2) Florida Statute 288.8018 in regards to the Deepwater Horizon Oil Spill receipts and expenditures.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

Warren Averett, LLC

Fort Walton Beach, Florida
May 20, 2016

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council Members
City of Niceville, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Niceville, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements which collectively comprise the City of Niceville, Florida's basic financial statements and have issued our report thereon dated May 20, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, *Rules of the Auditor General*, we have issued a separate management letter dated May 20, 2016, which should be considered in assessing the results of our audit.

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.

Warren Averett, LLC

Fort Walton Beach, Florida
May 20, 2016

MANAGEMENT LETTER

Honorable Mayor and City Council Members
City of Niceville, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Niceville, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 20, 2016.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated May 20, 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.

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 of Niceville, Florida has been disclosed in Note 1 to the financial statements.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Niceville, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

We sincerely hope these comments and recommendations will be of assistance in the administration and operation of the City of Niceville, Florida. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements. We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC

Fort Walton Beach, Florida
May 20, 2016