



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

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**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018**

# **CITY OF NICEVILLE, FLORIDA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2018**

**Prepared By:**  
**Finance Department**  
**Dan Doucet**  
**City Clerk**

**CITY OF NICEVILLE, FLORIDA  
PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2018**

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**CITY COUNCIL 2017-2018**

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

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Lannie L. Corbin  
City Manager



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Niceville, Florida 32578  
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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, 2018, 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.

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 1,082 square miles, including 152 square miles of inland waters and has a total population of approximately 204,600. An estimated 33,950 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 attributes 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 variation to mark the passing of the seasons. Summer average high temperatures range from 80 to 91 degrees and winter average highs range from 50 to 75 degrees. Rainfall averages 64 inches per year providing weather conditions conducive to 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 military’s total economic impact on Okaloosa County amounts to approximately \$8.8 billion annually with numerous defense industry affiliated personnel in the area providing hi-tech intellectual skills for a number of businesses. Due to its proximity to Eglin Air Force Base, and above-mentioned defense industry relationship, the City only experiences mild economic recessions in comparison to other parts of the Nation.

Located outside the City is the two-story 116,000 square foot Destin-Fort Walton Beach Airport. It was rebuilt in 2004 with a more spacious passenger terminal, and two longer and wider runways built to handle the largest jets. Six airlines operate direct flights between the airport and 25 US cities, serving 800,000 passengers a year.

Okaloosa County remains a leading technology-based industrial center, making it Florida's premier world-class employer for engineers, scientists and technology experts. Okaloosa County is home to the University of Florida's Graduate Engineering and Research Center where top engineers gain graduate research engineering education and work on critically important and pertinent research topics of the times. The 2018 Department of Defense budget funds \$125 million in construction projects in support of the F-35 Joint Strike Fighter, including a dormitory and academic training center for Eglin Air Force Base.

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 ranked in 2012 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 90 career and certificate programs of study and baccalaureate degrees. Additionally, Florida's Great Northwest, an independent nonprofit economic development corporation, 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 Inter-coastal Waterway, along with barge traffic on the Apalachicola River, provide competitive, convenient and economical access to markets throughout the region.

Over 52% of the County's population is between the prime working ages of 15 and 54 years old and continues to experience steady growth with the most significant increase in the Niceville and Valparaiso area.

### **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 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 academic and athletic competitions. The administration, along with a staff of over 150, are successfully educating approximately 2,000 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 by Florida's Commissioner of Education. Niceville High School has been 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 an Intensive Studies Program. Niceville High School's aim is to prepare students for a successful transition to 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](http://www.nicevillehighschool.org) to learn more about 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 recently been named a national Blue Ribbon School. The school enrolls 285 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 is an A+ school that serves the Niceville area. Ruckel has been awarded the grade of A for 18 consecutive years. Ruckel has an enrollment of over one thousand students and a staff of seventy. Ruckel promotes excellence in what has become known as the triple A's: Academics, Arts and Athletics. Academically, RMS regularly receives among the highest scores in our district and state in the areas of reading, writing, math, and science. Ruckel offers advanced courses in all subject areas, including six courses for high school credit. They also offer Technology and STEM classes as elective courses that support their academic mission. Academics are also supported by many clubs, including Math-Counts, Odyssey of the Mind, Robotics, and Academic Team. In the area of Arts, Ruckel offers Band, Chorus, Art, and Digital Photography, all of which are recognized at both the district and state level as award-winning programs. For Athletics, RMS competes in 14 different sports for both boys and girls, and frequently wins Okaloosa County championships in many of these competitive activities. Ruckel also has Cheer and Dance Teams that are regularly recognized at the state level. Ruckel additionally offers many service and interest clubs, including Multi-cultural Club, National Junior Honor Society, and Junior Student-to-Student, which supports our military families. For more information about Ruckel Middle School visit [www.ruckelmiddleschool.com](http://www.ruckelmiddleschool.com).

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.

Okaloosa STEMM (Science, Technology, Engineering, Mathematics, Medical) Academy, established in 2012, is a public middle school for STEMM education, with an enrollment of over 200 sixth to eighth grade students. Okaloosa STEMM Academy has earned an A+ school rating for each school year since opening.

Niceville is also home to a private elementary school, Rocky Bayou Christian School. Rocky Bayou enrolls approximately 660 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.

Northwest Florida State College is a public college, accredited to award bachelors and associate degrees, which serves more than 13,250 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 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.



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

### **NICEVILLE YOUTH ADVISORY COUNCIL**

The City of Niceville established a youth advisory council in 2013 under the leadership of councilman Sal Nodjomian. The youth council has been very active by representing the youth population in the City. They have won two statewide awards by placing 3<sup>rd</sup> in the Florida League of Cities 2016 youth council video competition and they also won 1<sup>st</sup> place in the 2017 youth council service competition. The youth council traveled to Tallahassee in 2016 and 2017 to learn more about Government at the State Level.



*Performing Arts Center at  
Northwest Florida State College*

### **MAJOR INITIATIVES**

#### ***National Flood Insurance Program***

As part of the National Flood Insurance Program's (NFIP) Community Rating System (CRS) program, the City provides map determinations and Flood Insurance Rate Map (FIRM) data to inquirers and provides information on the flood insurance purchase requirement as a service to its citizens. The Niceville Public Library maintains a rack specifically for documents related to flood insurance, flood protection, and floodplain management as a service to citizens.

#### ***Fire Insurance Classification***

The Insurance Services Office (ISO), which serves the property and casualty insurance marketplace, analyzes data about property fire protection and suppression programs, then using its Public Protection Classification (PPC) rating to indicate an organization or area's property fire protection capability. The City of Niceville Fire Department's PPC rating improved from a very good Class 4 to a respectably low Class 3 rating during fiscal year 2018, providing for lower property insurance premium calculation for many insured properties within the City.

#### ***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.

#### ***Turkey Creek Nature Trail***



The City of Niceville completed the \$500,000 Landing project grant from the Florida Fish and Wildlife Conversation Commission. The Landing project was the initial phase as part of an Economic Redevelopment initiative to restore old downtown Niceville.

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.

### ***Recreation Facilities***

The Youth Center caters to skateboarding and bicycling. It includes a concrete pad that has ramp equipment installed for the use of skating or bicycling. These are considered intermediate level ramps. Participants must be at least 6 years old. Young participants must use caution while using ramps. Every participant must use a helmet at all times. Lighting is used during dark hours of operation. The facility has restrooms and a snack room with vending options.

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 August 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 City was later awarded a \$400,000 construction grant for expansion of the library, and in December 2006 a 5,000 square foot addition was opened to the public, bringing the total square footage to 22,500.



The Library draws a constant stream of visitors daily while contributing to the overall beauty within the heart of the City. There are currently 15,469 active cardholders and 75,714 items in the Library's collection. Over 226,000 items are circulated each year. An integral part of the Okaloosa County Public Library Cooperative, the Niceville Public Library is a valued intellectual resource for County residents

### ***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-round 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***

### ***Lions Park***

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

### ***Niceville Senior Center***

At September 30, 2018, the Niceville Senior Center, located at 201 Campbell Drive, was only weeks away from its Grand Opening in December 2018. The Senior Center will empower and enhance the lives of adults 55 and older through programs and caring services that will promote wellness, social connection, support, nutrition, education, independence, activities, volunteerism, and fun.



The 9,200-square-foot Senior Center, will feature a large social area, a retro-themed “Happy Dayz Diner”, a well-equipped kitchen with large appliances and a milkshake machine, two multi-purpose rooms, a fitness room, and a computer lab. There will be a game room which will include billiards and ping pong tables and space adequate for dance classes.

Outside the Senior Center, plans include a welcoming front porch with rocking chairs, an outdoor cooking area, raised gardening beds, and a large courtyard with benches, a fountain, and a fire feature. Future planned exterior enhancements include a walking trail, gazebo, putting green, pickle-ball and shuffleboard courts, and exercise stations.

### **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. The City of Niceville and the Community of Niceville have joined forces to supply lights to the Twin Oaks Recreation Area. Niceville is proud of the athletics in the community and this project will help feed local programs so children can have the opportunity to learn sports in proper facilities. Now the Twin Oaks recreation complex will have proper lighting so that children can play and practice with adequate lighting after dark. By the end of FY2018, two of the project’s eight 80-foot concrete poles with up to 22 light fixtures per pole have been installed. The City will be included on the field sign for recognition of their participation. 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.

## PUBLIC & PRIVATE RECREATION/OPEN SPACE EXISTING NICEVILLE FACILITIES

| <u>Facility</u>                         | <u>Classification</u> | <u>Public/<br/>Private</u> | <u>General Activities Provided</u>                                                | <u>Size</u>                |
|-----------------------------------------|-----------------------|----------------------------|-----------------------------------------------------------------------------------|----------------------------|
| Palm Lake Park                          | Mini Park             | Public                     | Open space                                                                        | 8.04 acres                 |
| Palm Park                               | Mini Park             | Public                     | Open space                                                                        | 1.61 acres                 |
| Sherry Park                             | Mini Park             | Public                     | Open space                                                                        | 0.60 acres                 |
| Stables                                 | Mini Park             | Public                     | Open space                                                                        | 1.46 acres                 |
| <b>Total Mini Parks</b>                 |                       |                            |                                                                                   | <b><u>11.71 acres</u></b>  |
| Cedar Park                              | Neighborhood          | Private                    | Swings, gazebo                                                                    | 0.50 acres                 |
| Dana Park                               | Neighborhood          | Private                    | Open space                                                                        | 4.68 acres                 |
| Kelly Hill Park                         | Neighborhood          | Public                     | Basketball courts, playground equipment                                           | 1.00 acres                 |
| Kiwanis Park                            | Neighborhood          | Public                     | Open space, fishing, swings                                                       | 2.32 acres                 |
| Meigs Park                              | Neighborhood          | Public                     | Tables, tennis courts, basketball courts                                          | 6.00 acres                 |
| <b>Total Neighborhood Parks</b>         |                       |                            |                                                                                   | <b><u>14.50 acres</u></b>  |
| Bullock Pond                            | Community             | Public                     | Fishing, boardwalk                                                                | 1.80 acres                 |
| Children's Park                         | Community             | Public                     | Benches, gazebos, playground equipment,<br>tables, amphitheater, splash park      | 1.00 acres                 |
| City Hall Park                          | Community             | Public                     | Gazebos, swings, benches, golf putting<br>green                                   | 0.50 acres                 |
| Edgewater North Park                    | Community             | Public                     | Open space                                                                        | 4.00 acres                 |
| Gateway Park                            | Community             | Public                     | Open space, benches                                                               | 1.00 acres                 |
| Leota Miller Park                       | Community             | Public                     | Open space                                                                        | 4.50 acres                 |
| Lion's Park                             | Community             | Public                     | Boat ramp, picnic tables, gazebos                                                 | 2.00 acres                 |
| Mullet Festival Site                    | Community             | Public                     | Open space                                                                        | 36.30 acres                |
| Niceville City Park                     | Community             | Public                     | Tables, baseball fields                                                           | 11.88 acres                |
| Pin Oak Park                            | Community             | Public                     | Open space, benches                                                               | 1.33 acres                 |
| Shirk's Bayou                           | Community             | Public                     | Open space                                                                        | 2.57 acres                 |
| Twin Oaks Park                          | Community             | Public                     | Baseball fields, soccer fields, concession<br>stands, horseshoe pits              | 10.60 acres                |
| Turkey Creek Park                       | Community             | Public                     | Open space                                                                        | 76.39 acres                |
| Turkey Creek Park<br>(North Valparaiso) | Community             | Public                     | Open space, conservation area, pavilions,<br>tables, grills, boardwalk, restrooms | 47.27 acres                |
| Turkey Creek Park<br>(South, Neal)      | Community             | Public                     | Conservation area, pavilions, tables, grills,<br>bridge, walkway, restrooms       | 57.35 acres                |
| Youth Center                            | Community             | Public                     | Skateboarding, bicycling, concession area,<br>picnic tables, restrooms            | 4.00 acres                 |
| <b>Total Community Parks</b>            |                       |                            |                                                                                   | <b><u>262.49 acres</u></b> |
| <b>Grand Total</b>                      |                       |                            |                                                                                   | <b><u>288.70 acres</u></b> |

## FOR THE FUTURE

Infrastructure improvements include water extension projects including 6 and 8 inch lines near Edrehi Avenue for fire protection, \$260,000; Benton Avenue water improvements, \$130,000; and other miscellaneous water projects \$147,000.

Sewer projects including a Canal Drive force main, \$55,000; and other sewer projects, \$125,000.

Stormwater drainage projects include: Thomas Branch, \$2,190,000; Boggy Bayou Restoration, \$1,534,000; Bayshore Drive Rosin Branch (Phase I), \$300,000; Palm Blvd/Pine Lake/Hicks Branch installation of a new larger pipe system, \$100,000; South Palm Outfall Replacement, \$25,000; Bayshore Villas Outfall Pipe Replacements, \$25,000; and Gracie Lane Woodridge, \$11,000. In total, fiscal year 2019 stormwater projects are funded in the amount of \$ 4,406,040 by National Fish and Wildlife Foundation (NFWF) and MOEX grants.



Plans also include \$175,000 for sidewalk extensions and resurfacing of several streets, and \$134,310 for upgrading information technology across City departments.

## OTHER INFORMATION

### ***Cash Management***

Where safety and liquidity requirements permit, some of the City's cash funds, on hand from time to time during the year, were invested with a brokerage firm in certificates of deposit (CDs), US Treasury Bills, and money market accounts or directly in qualified public depository bank CDs. The City's investment policy, parallels 218.415 F.S. which dictates that optimization of investment returns shall be secondary to the requirements for safety and liquidity. Accordingly, all investments were adequately insured by the Federal Deposit Insurance Corporation or were collateralized in accordance with Florida law. All deposits and investments are placed with a primary goal of low risk of loss of principle, and adequate liquidity, while earning competitive returns considering the primary goals.

### ***Independent Audit***

State statutes (218.39 F.S.) 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 auditors' 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, 2017. 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.

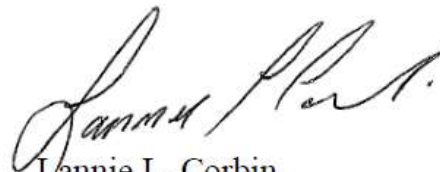
A Certificate of Achievement is valid for a period of one year only. This was the 32<sup>nd</sup> consecutive year that the City has received this prestigious award. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements 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 with cooperation and support from many other City departments and local government agencies. Each member of each department, and each cooperating agency official, who responded to our information requests have 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,



Lannie L. Corbin,  
City Manager

April 23, 2019



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Niceville  
Florida**

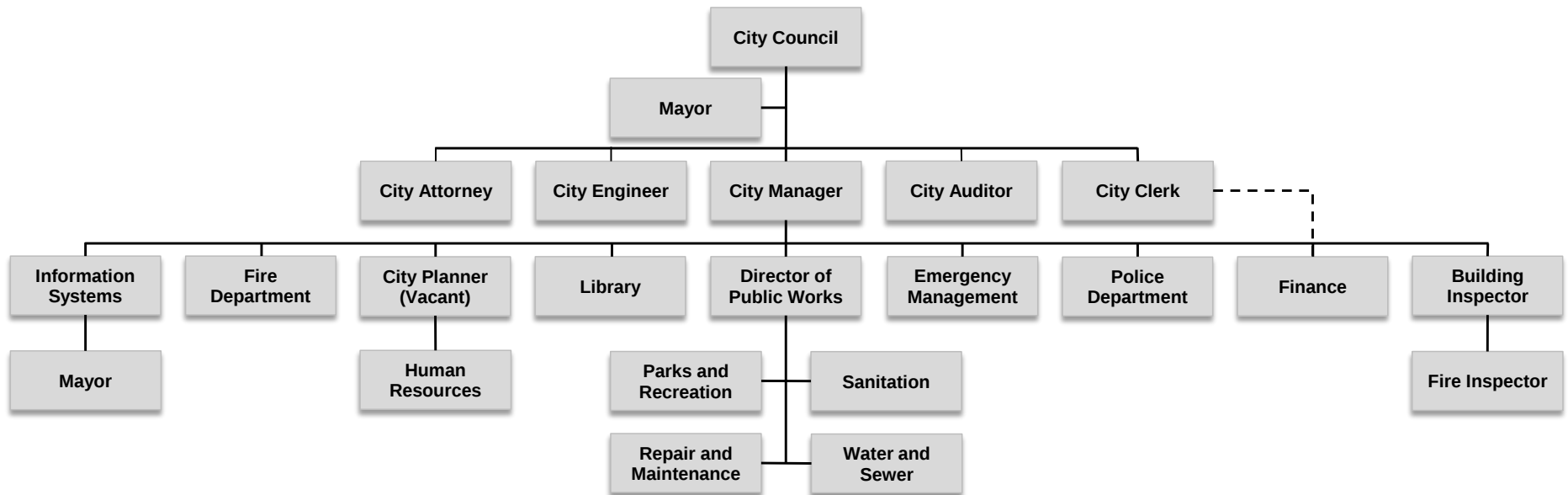
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

City of Niceville, Florida  
ORGANIZATIONAL CHART  
Year Ended September 30, 2018



## **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 (the City), as of and for the year ended September 30, 2018, 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 auditors' 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 16 and the schedules related to the pension and OPEB liabilities and contributions on pages 69 – 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 individual fund financial statement on page 74 is the responsibility of management and was 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 individual fund financial statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of 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 the City's internal control over financial reporting and compliance.

*Warren Averett, LLC*

Fort Walton Beach, Florida

April 23, 2019

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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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, 2018. 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 iv-xvi of this report.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by approximately \$57.0 million (net position), which represents an increase of \$1.7 million from the prior year.
- Of the \$57.0 million of net position at September 30, 2018, \$34.9 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, \$7.1 million is restricted for future obligations, and \$15.0 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- During fiscal year 2018, the unfunded net pension liability increased by approximately \$428 thousand, for a total liability of \$9.7 million at year end. Of this increase, \$303 thousand relates to governmental activities, and \$125 thousand relates to business-type activities.
- The City's governmental funds reported ending fund balance of \$5.4 million, which represents an \$899 thousand decrease from the prior year. Approximately \$4.2 million is restricted or assigned for specific purposes, and \$1.2 million of ending fund balance, is available for spending at the discretion of the City Council. This represents 9.5% of the total operating expenditures for the City's governmental funds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The focus of the 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.

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows 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), economic environment (improvement districts), 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 – 25 of this report are the basic governmental fund financial statements.

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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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 Agency 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 the 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 adopted budget.

**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 the water and sewer fund, sanitation fund, and stormwater fund. The City has no non-major proprietary funds. Found on pages 26 – 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 outflows of resources exceeded liabilities and deferred inflows of resources by \$57.0 million (net position) for the fiscal year ended September 30, 2018, as reported in Table 1.

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

By far the largest portion of the City's net position, \$34.9 million (or 61.2%) 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, 2018 AND 2017  
(In Thousands of Dollars\*)**

|                                            | <b>Governmental Activities</b> |                  | <b>Business-Type Activities</b> |                  | <b>Total</b>     |                  |
|--------------------------------------------|--------------------------------|------------------|---------------------------------|------------------|------------------|------------------|
|                                            | <b>2018</b>                    | <b>2017</b>      | <b>2018</b>                     | <b>2017</b>      | <b>2018</b>      | <b>2017</b>      |
| Current and other assets                   | \$ 6,403                       | \$ 7,011         | \$ 29,243                       | \$ 27,925        | \$ 35,646        | \$ 34,936        |
| Capital assets                             | 16,931                         | 16,945           | 32,007                          | 31,753           | 48,938           | 48,698           |
| <b>Total assets</b>                        | <b>23,334</b>                  | <b>23,956</b>    | <b>61,250</b>                   | <b>59,678</b>    | <b>84,584</b>    | <b>83,634</b>    |
| Deferred outflows related to pensions      | 2,940                          | 2,856            | 1,221                           | 1,186            | 4,161            | 4,042            |
| Deferred charges on refunding              | -                              | -                | 142                             | 154              | 142              | 154              |
| <b>Total deferred outflow of resources</b> | <b>2,940</b>                   | <b>2,856</b>     | <b>1,363</b>                    | <b>1,340</b>     | <b>4,303</b>     | <b>4,196</b>     |
| Long-term liabilities outstanding          | 10,433                         | 10,781           | 15,617                          | 16,326           | 26,050           | 27,107           |
| Other liabilities                          | 1,741                          | 1,422            | 2,823                           | 3,370            | 4,564            | 4,792            |
| <b>Total liabilities</b>                   | <b>12,174</b>                  | <b>12,203</b>    | <b>18,440</b>                   | <b>19,696</b>    | <b>30,614</b>    | <b>31,899</b>    |
| Deferred inflows related to pensions       | 674                            | 432              | 280                             | 180              | 954              | 612              |
| Deferred inflows related to OPEB           | 202                            | -                | 80                              | -                | 282              | -                |
| <b>Total deferred inflow of resources</b>  | <b>876</b>                     | <b>432</b>       | <b>360</b>                      | <b>180</b>       | <b>1,236</b>     | <b>612</b>       |
| Net position                               |                                |                  |                                 |                  |                  |                  |
| Net investment in capital assets           | 15,728                         | 15,208           | 19,189                          | 17,606           | 34,917           | 32,814           |
| Restricted                                 | 1,014                          | 685              | 6,114                           | 7,411            | 7,128            | 8,096            |
| Unrestricted                               | (3,518)                        | (1,716)          | 18,510                          | 16,125           | 14,992           | 14,409           |
| <b>Total net position</b>                  | <b>\$ 13,224</b>               | <b>\$ 14,177</b> | <b>\$ 43,813</b>                | <b>\$ 41,142</b> | <b>\$ 57,037</b> | <b>\$ 55,319</b> |

*\*all dollar amounts rounded to the nearest thousand*

An additional portion of the City's net position, \$7.1 million, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$15.0 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 \$1.7 million during fiscal year 2018. The net position of governmental activities decreased \$952 thousand, which is the result of a general increase in expenses, including salary costs, pension expenses, repairs and maintenance, supplies, and depreciation. The net position of business-type activities increased \$2.7 million primarily due to capital grant funding for multiple capital stormwater system improvement projects.

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**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, 2018 AND 2017**

|                                                             | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                      | <b>Total</b>         |                      |
|-------------------------------------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                                             | <b>2018</b>                    | <b>2017</b>          | <b>2018</b>                     | <b>2017</b>          | <b>2018</b>          | <b>2017</b>          |
| <b>REVENUES</b>                                             |                                |                      |                                 |                      |                      |                      |
| <b>Program revenues</b>                                     |                                |                      |                                 |                      |                      |                      |
| Charges for services                                        | \$ 917,361                     | \$ 985,845           | \$ 11,637,199                   | \$ 11,344,130        | \$ 12,554,560        | \$ 12,329,975        |
| Operating grants & contributions                            | 583,486                        | 172,519              | -                               | -                    | 583,486              | 172,519              |
| Capital grants and contributions                            | 181,452                        | 620,616              | 1,781,570                       | 813,541              | 1,963,022            | 1,434,157            |
| <b>General revenues</b>                                     |                                |                      |                                 |                      |                      |                      |
| Property taxes                                              | 3,694,760                      | 3,497,297            | -                               | -                    | 3,694,760            | 3,497,297            |
| Other taxes                                                 | 5,554,709                      | 5,246,163            | -                               | -                    | 5,554,709            | 5,246,163            |
| Other revenue                                               | 659,230                        | 926,649              | 363,385                         | 76,632               | 1,022,615            | 1,003,281            |
| <b>TOTAL REVENUES</b>                                       | <b>11,590,998</b>              | <b>11,449,089</b>    | <b>13,782,154</b>               | <b>12,234,303</b>    | <b>25,373,152</b>    | <b>23,683,392</b>    |
| <b>EXPENSES</b>                                             |                                |                      |                                 |                      |                      |                      |
| <b>Primary government</b>                                   |                                |                      |                                 |                      |                      |                      |
| General government                                          | 2,992,962                      | 2,755,195            | -                               | -                    | 2,992,962            | 2,755,195            |
| Public safety                                               | 4,775,056                      | 4,220,756            | -                               | -                    | 4,775,056            | 4,220,756            |
| Transportation                                              | 1,059,251                      | 968,948              | -                               | -                    | 1,059,251            | 968,948              |
| Internal services                                           | 782,061                        | 713,115              | -                               | -                    | 782,061              | 713,115              |
| Economic environment                                        | 405,888                        | 22,172               | -                               | -                    | 405,888              | 22,172               |
| Human services                                              | 56,000                         | 56,000               | -                               | -                    | 56,000               | 56,000               |
| Culture and recreation                                      | 3,032,663                      | 2,840,973            | -                               | -                    | 3,032,663            | 2,840,973            |
| Debt service interest and fees                              | 39,421                         | 54,238               | -                               | -                    | 39,421               | 54,238               |
| <b>Business-type activities</b>                             |                                |                      |                                 |                      |                      |                      |
| Water and sewer                                             | -                              | -                    | 7,162,548                       | 6,790,575            | 7,162,548            | 6,790,575            |
| Sanitation                                                  | -                              | -                    | 3,007,267                       | 2,855,930            | 3,007,267            | 2,855,930            |
| Stormwater                                                  | -                              | -                    | 341,481                         | 345,807              | 341,481              | 345,807              |
| <b>TOTAL EXPENSES</b>                                       | <b>13,143,302</b>              | <b>11,631,397</b>    | <b>10,511,296</b>               | <b>9,992,312</b>     | <b>23,654,598</b>    | <b>21,623,709</b>    |
| <b>Increase (decrease) in net position before transfers</b> | <b>(1,552,304)</b>             | <b>(182,308)</b>     | <b>3,270,858</b>                | <b>2,241,991</b>     | <b>1,718,554</b>     | <b>2,059,683</b>     |
| Transfers                                                   | 600,000                        | 600,000              | (600,000)                       | (600,000)            | -                    | -                    |
| <b>Increase (decrease) in net position</b>                  | <b>(952,304)</b>               | <b>417,692</b>       | <b>2,670,858</b>                | <b>1,641,991</b>     | <b>1,718,554</b>     | <b>2,059,683</b>     |
| <b>NET POSITION, BEGINNING</b>                              | <b>14,176,853</b>              | <b>16,106,399</b>    | <b>41,141,902</b>               | <b>40,431,838</b>    | <b>55,318,755</b>    | <b>56,538,237</b>    |
| <b>RESTATEMENT</b>                                          | <b>-</b>                       | <b>(2,347,238)</b>   | <b>-</b>                        | <b>(931,927)</b>     | <b>-</b>             | <b>(3,279,165)</b>   |
| <b>NET POSITION, ENDING</b>                                 | <b>\$ 13,224,549</b>           | <b>\$ 14,176,853</b> | <b>\$ 43,812,760</b>            | <b>\$ 41,141,902</b> | <b>\$ 57,037,309</b> | <b>\$ 55,318,755</b> |

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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**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 are 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 a large portion 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**

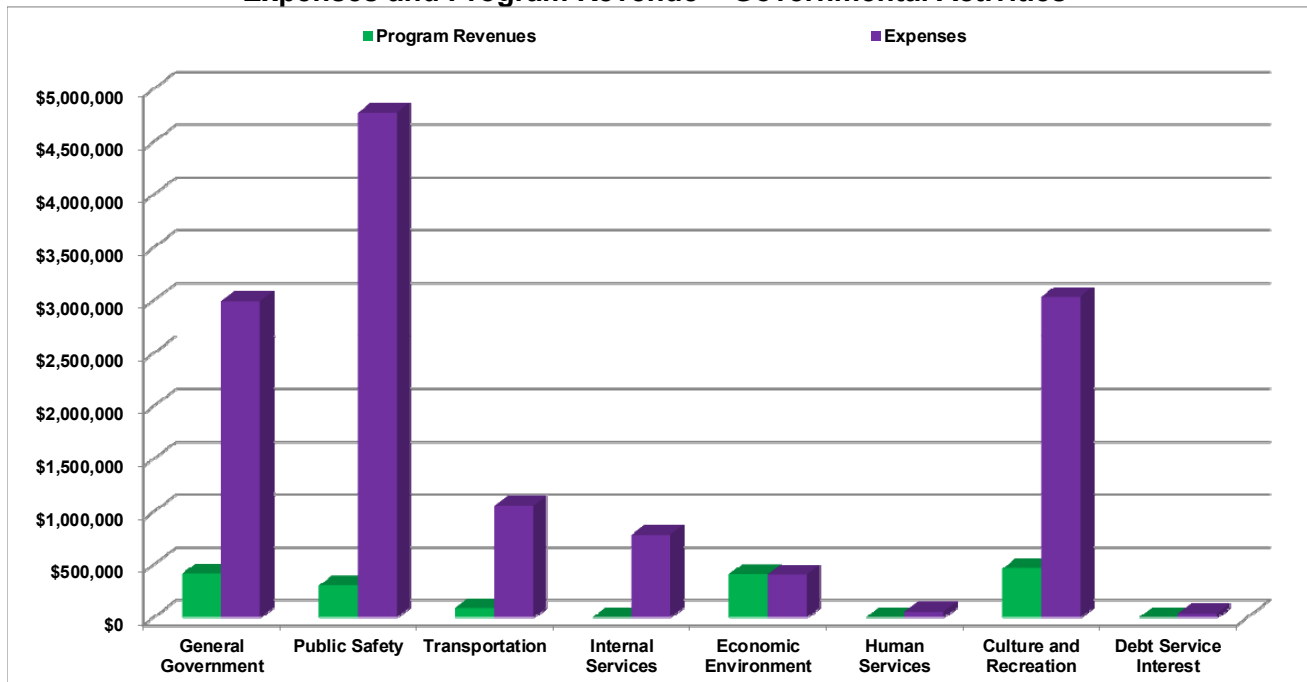
- Capital grants and contributions decreased by \$439 thousand during the fiscal year due to prior year grant funding received from the Florida Fish and Wildlife Conservation Commission for improvements to the Niceville Public Landing and a grant that funded median beautification improvements on John Sims Parkway.

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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- Operating grants and contributions increased by \$411 thousand primarily due to the City's award of Community Development Block Grant (CDBG) funds for housing assistance and rehabilitation projects.
- Property tax revenues increased \$197 thousand from increased taxable value of real property within the City.
- Public safety expenses increased \$554 thousand, which is the result of a general increase in activity in the current year, to include salary costs, pension expenses, repairs and maintenance, supplies, and depreciation.
- Economic environment expenses increased \$384 thousand, which is related to expenditures incurred for CDBG program housing assistance and rehabilitation projects.

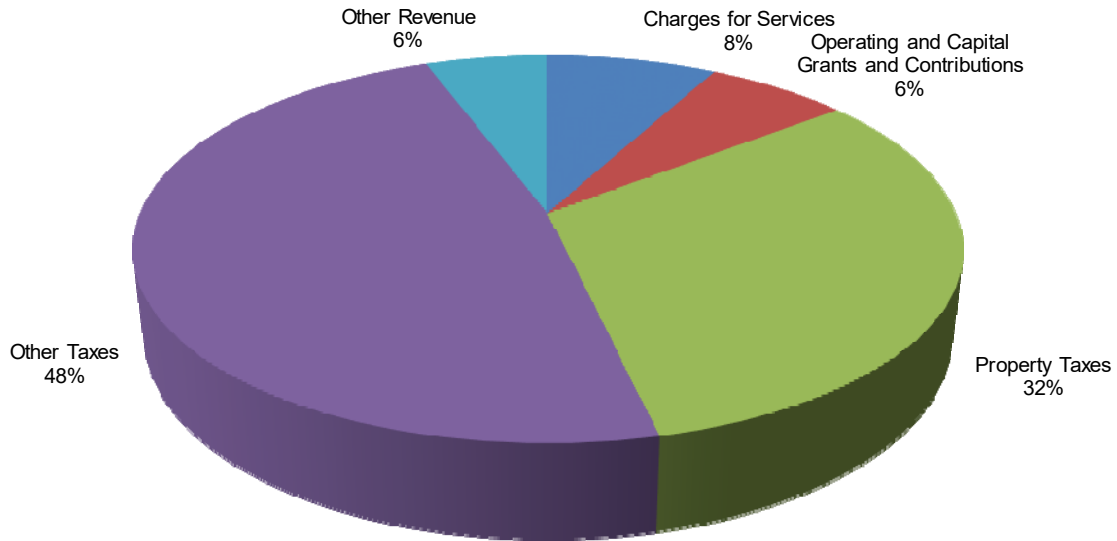
**Chart 1  
Expenses and Program Revenue – Governmental Activities**



**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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**Chart 2  
Revenues by Source - Governmental Activities**



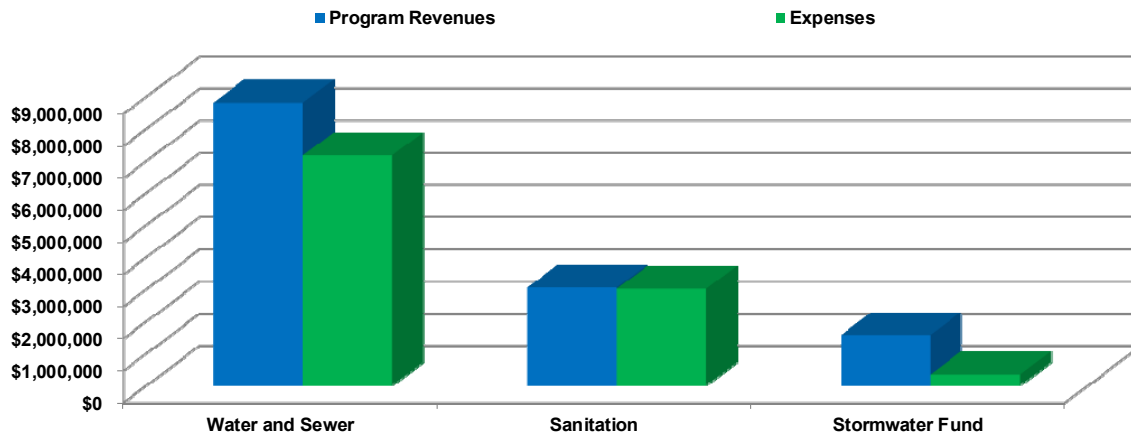
**Current Year Impacts – Business-Type Activities**

- The net position of business-type activities increased \$2.7 million during the fiscal year.
- Capital grants and contributions increased by \$968 thousand from the prior year due to three major stormwater system improvement projects that are funded by grants from the National Fish and Wildlife Foundation and the Florida Department of Environmental Protection.
- Other revenues increased \$287 thousand, which is primarily due to an increase in equity earnings in the component unit (NVR SB).
- Water and sewer expenses increased \$372 thousand mostly from increased payroll and depreciation expenses.

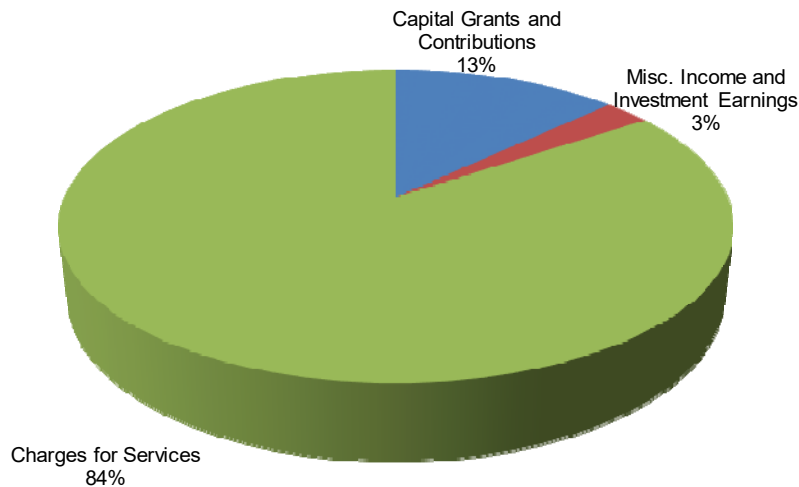
**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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**Chart 3  
Expense and Program Revenue – Business-Type Activities**



**Chart 4  
Revenues by Source – Business-Type Activities**



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

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

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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**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 funds reported ending fund balance of \$5.4 million, an \$899 thousand decrease from the prior year. Approximately \$1.2 million of fund balance 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 based on the level of constraints placed on those funds.

The General Fund is the chief operating fund of the City. At the end of the fiscal year 2018, unassigned fund balance of the General Fund was \$1.2 million, while total fund balance reached \$5.3 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 9.5% of the total General Fund operating expenditures, while total fund balance represents 40.7% of that same amount.

During fiscal year 2018, the fund balance of the City's General Fund decreased by \$957 thousand. This is primarily due to planned use of reserves to support several ongoing capital projects and replacement of aging equipment.

**Proprietary Funds**

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 \$18.5 million at the end of the year; of that, the Water and Sewer Fund amounted to \$16.6 million, the Sanitation Fund totaled \$745 thousand, and the Stormwater Utility Management Fund was \$1.2 million. Net position for proprietary funds increased \$2.7 million during fiscal year 2018.

**BUDGETARY HIGHLIGHTS**

**General Fund**

- No amendments were made to the original adopted budget for 2018.
- Actual revenues were less than budgetary expectations by \$44 thousand. The difference noted was primarily due to intergovernmental revenues from grants and similar agreements being lower than expected.
- Actual expenditures were less than budgeted expectations this year by \$2.4 million. This was primarily related to capital projects that did not commence as intended and unused contingency reserves.

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**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, 2018, amounts to \$48.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and wastewater systems improvements, machinery and equipment, park facilities, roads and highways, etc. The total increase in the City's investment in capital assets for the current fiscal year was \$239 thousand and is summarized in Table 3.

**TABLE 3  
CITY OF NICEVILLE, FLORIDA  
CAPITAL ASSETS  
(NET OF DEPRECIATION)  
AS OF SEPTEMBER 30, 2018 AND 2017**

|                                   | <b>Governmental Activities</b> |                      | <b>Business-Type Activities</b> |                      | <b>Total</b>         |                      |
|-----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                   | <b>2018</b>                    | <b>2017</b>          | <b>2018</b>                     | <b>2017</b>          | <b>2018</b>          | <b>2017</b>          |
| Land                              | \$ 4,178,249                   | \$ 4,178,249         | \$ 1,484,161                    | \$ 1,024,425         | \$ 5,662,410         | \$ 5,202,674         |
| Buildings                         | 2,778,338                      | 2,709,156            | 1,371,120                       | 1,465,603            | 4,149,458            | 4,174,759            |
| Improvements other than buildings | 4,734,244                      | 4,947,878            | 26,402,765                      | 26,989,916           | 31,137,009           | 31,937,794           |
| Infrastructure                    | 1,664,394                      | 1,869,946            | -                               | -                    | 1,664,394            | 1,869,946            |
| Machinery and equipment           | 1,897,989                      | 1,901,626            | 631,166                         | 696,473              | 2,529,155            | 2,598,099            |
| Construction in progress          | 1,677,788                      | 1,338,455            | 2,117,368                       | 1,576,849            | 3,795,156            | 2,915,304            |
| <b>Total</b>                      | <b>\$ 16,931,002</b>           | <b>\$ 16,945,310</b> | <b>\$ 32,006,580</b>            | <b>\$ 31,753,266</b> | <b>\$ 48,937,582</b> | <b>\$ 48,698,576</b> |

Additional information on the capital assets of the City can be found in Note 5 of the financial statements.

**Long-Term Debt Outstanding**

At the end of the current fiscal year, the City had long-term debt outstanding of \$15.3 million, which represents a decrease of \$1.8 million from the prior year. 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. The City's outstanding long-term debt is summarized in Table 4 on the following page.

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**Table 4  
City of Niceville, Florida  
Long-Term Debt Outstanding  
AS OF SEPTEMBER 30, 2018 AND 2017**

|                       | <b>Governmental Activities</b> |                     | <b>Business-Type Activities</b> |                      | <b>Total</b>         |                      |
|-----------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
|                       | <b>2018</b>                    | <b>2017</b>         | <b>2018</b>                     | <b>2017</b>          | <b>2018</b>          | <b>2017</b>          |
| Revenues bonds, net   | \$ 378,294                     | \$ 742,935          | \$ 8,754,313                    | \$ 9,845,002         | \$ 9,132,607         | \$ 10,587,937        |
| Lease payable         | 1,104,115                      | 1,293,487           | 704,000                         | 837,000              | 1,808,115            | 2,130,487            |
| State revolving loans | -                              | -                   | 3,501,076                       | 3,619,990            | 3,501,076            | 3,619,990            |
| Compensated absences  | 644,830                        | 588,332             | 204,626                         | 206,727              | 849,456              | 795,059              |
| <b>Total</b>          | <b>\$ 2,127,239</b>            | <b>\$ 2,624,754</b> | <b>\$ 13,164,015</b>            | <b>\$ 14,508,719</b> | <b>\$ 15,291,254</b> | <b>\$ 17,133,473</b> |

Additional information on the City's long-term debt can be found in Note 11 of the financial statements.

### **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, Hurlburt Field, and Duke Field. These three installations collectively comprise the largest military base in the world, employing over 72,000 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 \$22 billion annual impact on Northwest Florida's economy, according to the *Florida Defense Industry Economic Impact Analysis*.

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.

**CITY OF NICEVILLE, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

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Regional economic indicators were also considered in preparing the next fiscal year budget for the City:

- The local unemployment rate was 2.3%, which represents an approximate 0.5% decrease from September 2017. The State of Florida's unemployment rate was 3.1%, which represents an approximate 0.8% decrease from September 2017, when it was 3.9%. 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 6.6% over the prior year, the half-cent sales tax distribution estimate is up by 4.0% over the prior year, and the communication services tax distribution estimate is up by 0.2% compared to the prior year.
- For fiscal year 2019 appropriations, the City has budgeted \$1.7 million of existing reserves, which has been reflected in the assigned classification of the General Fund balance for the fiscal year ended 2018.

**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](http://www.niceville.org).

**CITY OF NICEVILLE, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

|                                             | Primary Government      |                          |                   | Component Unit                                  |
|---------------------------------------------|-------------------------|--------------------------|-------------------|-------------------------------------------------|
|                                             | Governmental Activities | Business-type Activities | Total             | Niceville-Valparaiso Regional Sewer Board, Inc. |
| <b>ASSETS</b>                               |                         |                          |                   |                                                 |
| Cash and cash equivalents                   | \$ 4,963,871            | \$ 13,274,558            | \$ 18,238,429     | \$ 1,478,977                                    |
| Receivables, net                            | 230,950                 | 1,044,682                | 1,275,632         | -                                               |
| Internal balances                           | (478,047)               | 478,047                  | -                 | -                                               |
| Due from other governments                  | 715,974                 | 239,246                  | 955,220           | -                                               |
| Prepaid items                               | 22,744                  | 30,000                   | 52,744            | -                                               |
| Inventory, at cost                          | 8,713                   | 261,341                  | 270,054           | 3,058                                           |
| Restricted assets                           |                         |                          |                   |                                                 |
| Cash and cash equivalents                   | 938,443                 | 6,853,479                | 7,791,922         | -                                               |
| Capital assets, net                         |                         |                          |                   |                                                 |
| Non-depreciable                             | 5,856,037               | 3,601,529                | 9,457,566         | -                                               |
| Depreciable, net                            | 11,074,965              | 28,405,051               | 39,480,016        | 7,419,672                                       |
| Other assets                                |                         |                          |                   |                                                 |
| Investment in component unit                | -                       | 7,061,953                | 7,061,953         | -                                               |
| <b>TOTAL ASSETS</b>                         | <b>23,333,650</b>       | <b>61,249,886</b>        | <b>84,583,536</b> | <b>8,901,707</b>                                |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                         |                          |                   |                                                 |
| Deferred outflows related to pensions       | 2,940,402               | 1,221,527                | 4,161,929         | -                                               |
| Deferred charges on refunding               | -                       | 141,996                  | 141,996           | -                                               |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <b>2,940,402</b>        | <b>1,363,523</b>         | <b>4,303,925</b>  | <b>-</b>                                        |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA**  
**STATEMENT OF NET POSITION – CONTINUED**  
**SEPTEMBER 30, 2018**

|                                            | Primary Government      |                          |                      | Component Unit                                  |
|--------------------------------------------|-------------------------|--------------------------|----------------------|-------------------------------------------------|
|                                            | Governmental Activities | Business-type Activities | Total                | Niceville-Valparaiso Regional Sewer Board, Inc. |
| <b>LIABILITIES</b>                         |                         |                          |                      |                                                 |
| Accounts payable                           | \$ 834,416              | \$ 718,019               | \$ 1,552,435         | \$ 22,941                                       |
| Accrued wages                              | 109,195                 | 43,233                   | 152,428              | 51,325                                          |
| Unearned revenues                          | 51,024                  | -                        | 51,024               | -                                               |
| Payable from restricted assets             |                         |                          |                      |                                                 |
| Customer deposits                          | -                       | 739,472                  | 739,472              | -                                               |
| Non-current liabilities                    |                         |                          |                      |                                                 |
| Amounts due within one year                |                         |                          |                      |                                                 |
| Compensated absences                       | 171,465                 | 50,320                   | 221,785              | -                                               |
| Leases payable                             | 187,052                 | 136,000                  | 323,052              | -                                               |
| Revenue bonds payable                      | 378,294                 | 955,863                  | 1,334,157            | -                                               |
| State revolving loans payable              | -                       | 120,336                  | 120,336              | -                                               |
| Accrued interest payable                   | 9,125                   | 60,063                   | 69,188               | -                                               |
| Amounts due beyond one year                |                         |                          |                      |                                                 |
| Compensated absences                       | 473,365                 | 154,306                  | 627,671              | -                                               |
| Net OPEB liability                         | 2,221,330               | 881,936                  | 3,103,266            | -                                               |
| Net pension liability                      | 6,820,906               | 2,833,597                | 9,654,503            | -                                               |
| Leases payable                             | 917,063                 | 568,000                  | 1,485,063            | -                                               |
| Revenues bonds payable, net                | -                       | 7,798,450                | 7,798,450            | -                                               |
| State revolving loans payable, net         | -                       | 3,380,740                | 3,380,740            | -                                               |
| <b>TOTAL LIABILITIES</b>                   | <b>12,173,235</b>       | <b>18,440,335</b>        | <b>30,613,570</b>    | <b>74,266</b>                                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                         |                          |                      |                                                 |
| Deferred inflows related to pensions       | 674,341                 | 280,141                  | 954,482              | -                                               |
| Deferred inflows related to OPEB           | 201,927                 | 80,173                   | 282,100              | -                                               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> | <b>876,268</b>          | <b>360,314</b>           | <b>1,236,582</b>     | <b>-</b>                                        |
| <b>NET POSITION</b>                        |                         |                          |                      |                                                 |
| Net investment in capital assets           | 15,728,306              | 19,189,187               | 34,917,493           | 7,419,672                                       |
| Restricted                                 |                         |                          |                      |                                                 |
| Debt service                               | 382,020                 | 689,105                  | 1,071,125            | -                                               |
| Capital projects                           | 512,343                 | 5,424,902                | 5,937,245            | -                                               |
| Law enforcement                            | 44,080                  | -                        | 44,080               | -                                               |
| Improvement districts                      | 75,805                  | -                        | 75,805               | -                                               |
| Unrestricted                               | (3,518,005)             | 18,509,566               | 14,991,561           | 1,407,769                                       |
| <b>TOTAL NET POSITION</b>                  | <b>\$ 13,224,549</b>    | <b>\$ 43,812,760</b>     | <b>\$ 57,037,309</b> | <b>\$ 8,827,441</b>                             |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| Function/program activities    | Program Revenues |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                | Niceville-Valparaiso Regional Sewer Board, Inc. |
|--------------------------------|------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|----------------|-------------------------------------------------|
|                                | Expenses         | 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             | \$ 2,992,962     | \$ 401,379           | \$ 13,250                          | \$ -                             | \$ (2,578,333)                                    | \$ -                     | \$ (2,578,333) |                                                 |
| Public safety                  | 4,775,056        | 275,395              | 11,060                             | 16,500                           | (4,472,101)                                       | -                        | (4,472,101)    |                                                 |
| Transportation                 | 1,059,251        | 90,603               | -                                  | -                                | (968,648)                                         | -                        | (968,648)      |                                                 |
| Internal services              | 782,061          | -                    | -                                  | -                                | (782,061)                                         | -                        | (782,061)      |                                                 |
| Economic environment           | 405,888          | -                    | 410,179                            | -                                | 4,291                                             | -                        | 4,291          |                                                 |
| Human services                 | 56,000           | -                    | -                                  | -                                | (56,000)                                          | -                        | (56,000)       |                                                 |
| Culture and recreation         | 3,032,663        | 149,984              | 148,997                            | 164,952                          | (2,568,730)                                       | -                        | (2,568,730)    |                                                 |
| Debt service interest          | 39,421           | -                    | -                                  | -                                | (39,421)                                          | -                        | (39,421)       |                                                 |
| Total governmental activities  | 13,143,302       | 917,361              | 583,486                            | 181,452                          | (11,461,003)                                      | -                        | (11,461,003)   |                                                 |
| Business-type activities       |                  |                      |                                    |                                  |                                                   |                          |                |                                                 |
| Water and sewer                | 7,162,548        | 8,107,712            | -                                  | 697,097                          | -                                                 | 1,642,261                | 1,642,261      |                                                 |
| Sanitation                     | 3,007,267        | 3,047,638            | -                                  | -                                | -                                                 | 40,371                   | 40,371         |                                                 |
| Stormwater utility management  | 341,481          | 481,849              | -                                  | 1,084,473                        | -                                                 | 1,224,841                | 1,224,841      |                                                 |
| Total business-type activities | 10,511,296       | 11,637,199           | -                                  | 1,781,570                        | -                                                 | 2,907,473                | 2,907,473      |                                                 |
| Total primary government       | \$ 23,654,598    | \$ 12,554,560        | \$ 583,486                         | \$ 1,963,022                     | \$ (11,461,003)                                   | \$ 2,907,473             | \$ (8,553,530) |                                                 |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
STATEMENT OF ACTIVITIES – CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| <u>Function/program activities</u>                  | <u>Program Revenues</u> |                                 |                                                   |                                                 | <u>Net (Expense) Revenue and Changes in Net Position</u> |                                          |                                                                     |
|-----------------------------------------------------|-------------------------|---------------------------------|---------------------------------------------------|-------------------------------------------------|----------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------|
|                                                     | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Primary Government</u>                                |                                          | <u>Component Unit</u>                                               |
|                                                     |                         |                                 |                                                   |                                                 | <u>Governmental<br/>Activities</u>                       | <u>Business-<br/>type<br/>Activities</u> | <u>Niceville-<br/>Valparaiso<br/>Regional Sewer<br/>Board, Inc.</u> |
| <b>Component Unit</b>                               |                         |                                 |                                                   |                                                 |                                                          |                                          |                                                                     |
| Niceville-Valparaiso Regional<br>Sewer Board, Inc.  | \$ 2,577,585            | \$ 2,681,981                    | \$ -                                              | \$ -                                            |                                                          |                                          | \$ 104,396                                                          |
| General revenues                                    |                         |                                 |                                                   |                                                 |                                                          |                                          |                                                                     |
| Taxes                                               |                         |                                 |                                                   |                                                 |                                                          |                                          |                                                                     |
| Property taxes                                      |                         |                                 |                                                   |                                                 | \$ 3,694,760                                             | \$ -                                     | \$ 3,694,760                                                        |
| Utility service taxes                               |                         |                                 |                                                   |                                                 | 2,159,118                                                | -                                        | 2,159,118                                                           |
| Other taxes                                         |                         |                                 |                                                   |                                                 | 3,395,591                                                | -                                        | 3,395,591                                                           |
| Intergovernmental, unrestricted                     |                         |                                 |                                                   |                                                 | 588,797                                                  | -                                        | 588,797                                                             |
| Equity earnings in component unit                   |                         |                                 |                                                   |                                                 | -                                                        | 94,973                                   | 94,973                                                              |
| Miscellaneous                                       |                         |                                 |                                                   |                                                 | 28,188                                                   | 200,471                                  | 228,659                                                             |
| Investment earnings                                 |                         |                                 |                                                   |                                                 | 42,245                                                   | 67,941                                   | 110,186                                                             |
| Transfers                                           |                         |                                 |                                                   |                                                 | 600,000                                                  | (600,000)                                | -                                                                   |
| Total general revenues and transfers                |                         |                                 |                                                   |                                                 | 10,508,699                                               | (236,615)                                | 10,272,084                                                          |
| <b>CHANGE IN NET POSITION</b>                       |                         |                                 |                                                   |                                                 | (952,304)                                                | 2,670,858                                | 1,718,554                                                           |
| <b>NET POSITION AT BEGINNING OF YEAR (RESTATED)</b> |                         |                                 |                                                   |                                                 | 14,176,853                                               | 41,141,902                               | 55,318,755                                                          |
| <b>NET POSITION AT END OF YEAR</b>                  |                         |                                 |                                                   |                                                 | \$ 13,224,549                                            | \$ 43,812,760                            | \$ 57,037,309                                                       |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
GOVERNMENTAL FUNDS – BALANCE SHEET  
SEPTEMBER 30, 2018**

|                                                                                   | <u>General Fund</u> | <u>Non-Major<br/>Fund – CRA<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------------------------------------------------------------------|---------------------|------------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                                                     |                     |                                          |                                         |
| Cash and cash equivalents                                                         | \$ 4,888,066        | \$ 75,805                                | \$ 4,963,871                            |
| Receivables                                                                       | 230,950             | -                                        | 230,950                                 |
| Due from other governments                                                        | 715,974             | -                                        | 715,974                                 |
| Inventory, at cost                                                                | 8,713               | -                                        | 8,713                                   |
| Prepaid items                                                                     | 22,744              | -                                        | 22,744                                  |
| Restricted assets                                                                 |                     |                                          |                                         |
| Cash and cash equivalents                                                         | 938,443             | -                                        | 938,443                                 |
| <b>TOTAL ASSETS</b>                                                               | <u>\$ 6,804,890</u> | <u>\$ 75,805</u>                         | <u>\$ 6,880,695</u>                     |
| <b>LIABILITIES</b>                                                                |                     |                                          |                                         |
| Accounts payable                                                                  | \$ 834,416          | \$ -                                     | \$ 834,416                              |
| Accrued interest payable                                                          | 9,125               | -                                        | 9,125                                   |
| Accrued wages payable                                                             | 109,195             | -                                        | 109,195                                 |
| Unearned revenues                                                                 | 51,024              | -                                        | 51,024                                  |
| Due to other funds                                                                | 478,047             | -                                        | 478,047                                 |
| <b>TOTAL LIABILITIES</b>                                                          | <u>1,481,807</u>    | <u>-</u>                                 | <u>1,481,807</u>                        |
| <b>FUND BALANCE</b>                                                               |                     |                                          |                                         |
| Nonspendable                                                                      | 31,457              | -                                        | 31,457                                  |
| Restricted                                                                        | 938,443             | 75,805                                   | 1,014,248                               |
| Assigned                                                                          | 3,106,131           | -                                        | 3,106,131                               |
| Unassigned                                                                        | 1,247,052           | -                                        | 1,247,052                               |
| <b>TOTAL FUND BALANCE</b>                                                         | <u>5,323,083</u>    | <u>75,805</u>                            | <u>5,398,888</u>                        |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES, AND<br/>FUND BALANCE</b> | <u>\$ 6,804,890</u> | <u>\$ 75,805</u>                         | <u>\$ 6,880,695</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, 2018**

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|                                        |              |
|----------------------------------------|--------------|
| Fund balance, total governmental funds | \$ 5,398,888 |
|----------------------------------------|--------------|

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

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

|                                     |                     |            |
|-------------------------------------|---------------------|------------|
| Governmental non-depreciable assets | \$ 5,856,037        |            |
| Governmental depreciable assets     | 31,769,302          |            |
| Less accumulated depreciation       | <u>(20,694,337)</u> |            |
|                                     |                     | 16,931,002 |

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.

|                                                    |                  |           |
|----------------------------------------------------|------------------|-----------|
| Deferred outflows of resources related to pensions | 2,940,402        |           |
| Deferred inflows of resources related to pensions  | (674,341)        |           |
| Deferred inflows of resources related to OPEB      | <u>(201,927)</u> |           |
|                                                    |                  | 2,064,134 |

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.

|                       |                    |                     |
|-----------------------|--------------------|---------------------|
| Revenue bonds payable | (378,294)          |                     |
| Capital lease payable | (1,104,115)        |                     |
| Compensated absences  | (644,830)          |                     |
| Net OPEB liability    | (2,221,330)        |                     |
| Net pension liability | <u>(6,820,906)</u> |                     |
|                       |                    | <u>(11,169,475)</u> |

|                                         |                             |
|-----------------------------------------|-----------------------------|
| Net position of governmental activities | <u><u>\$ 13,224,549</u></u> |
|-----------------------------------------|-----------------------------|

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|                                                         | <b>General Fund</b>        | <b>Non-Major<br/>Fund – CRA<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------------------------|----------------------------|------------------------------------------|-----------------------------------------|
| <b>REVENUES</b>                                         |                            |                                          |                                         |
| Taxes                                                   | \$ 5,829,543               | \$ 28,856                                | \$ 5,858,399                            |
| Licenses, fees, and permits                             | 1,585,374                  | -                                        | 1,585,374                               |
| Intergovernmental                                       | 3,301,629                  | 29,002                                   | 3,330,631                               |
| Charges for services                                    | 646,977                    | -                                        | 646,977                                 |
| Fines                                                   | 62,794                     | -                                        | 62,794                                  |
| Miscellaneous                                           | 106,818                    | 5                                        | 106,823                                 |
| Total revenues                                          | <u>11,533,135</u>          | <u>57,863</u>                            | <u>11,590,998</u>                       |
| <b>EXPENDITURES</b>                                     |                            |                                          |                                         |
| Current:                                                |                            |                                          |                                         |
| General government                                      | 2,406,166                  | -                                        | 2,406,166                               |
| Public safety                                           | 4,024,731                  | -                                        | 4,024,731                               |
| Transportation                                          | 802,110                    | -                                        | 802,110                                 |
| Internal service                                        | 714,646                    | -                                        | 714,646                                 |
| Economic environment                                    | 405,888                    | -                                        | 405,888                                 |
| Human services                                          | 56,000                     | -                                        | 56,000                                  |
| Culture and recreation                                  | 2,545,122                  | -                                        | 2,545,122                               |
| Capital outlay                                          | 1,541,904                  | -                                        | 1,541,904                               |
| Debt service:                                           |                            |                                          |                                         |
| Principal                                               | 554,013                    | -                                        | 554,013                                 |
| Interest                                                | 39,421                     | -                                        | 39,421                                  |
| Total expenditures                                      | <u>13,090,001</u>          | <u>-</u>                                 | <u>13,090,001</u>                       |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <u>(1,556,866)</u>         | <u>57,863</u>                            | <u>(1,499,003)</u>                      |
| <b>OTHER FINANCING SOURCES</b>                          |                            |                                          |                                         |
| Transfers in                                            | <u>600,000</u>             | <u>-</u>                                 | <u>600,000</u>                          |
| Total other financing sources                           | <u>600,000</u>             | <u>-</u>                                 | <u>600,000</u>                          |
| <b>NET CHANGE IN FUND BALANCE</b>                       | <u>(956,866)</u>           | <u>57,863</u>                            | <u>(899,003)</u>                        |
| <b>FUND BALANCE, BEGINNING</b>                          | <u>6,279,949</u>           | <u>17,942</u>                            | <u>6,297,891</u>                        |
| <b>FUND BALANCE, ENDING</b>                             | <u><u>\$ 5,323,083</u></u> | <u><u>\$ 75,805</u></u>                  | <u><u>\$ 5,398,888</u></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  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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|                                                 |    |           |
|-------------------------------------------------|----|-----------|
| Net change in fund balance – governmental funds | \$ | (899,003) |
|-------------------------------------------------|----|-----------|

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 | \$ 1,541,904       |  |         |
| Less current year depreciation  | <u>(1,416,236)</u> |  |         |
|                                 |                    |  | 125,668 |

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.

|                                                                |                  |  |           |
|----------------------------------------------------------------|------------------|--|-----------|
| Transfers/adjustments of capital assets                        | 5,026            |  |           |
| Accumulated depreciation associated with transfers/adjustments | <u>(145,002)</u> |  |           |
|                                                                |                  |  | (139,976) |

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 | <u>554,013</u> |  |         |
|                    |                |  | 554,013 |

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 | (460,489)       |           |                  |
| Change in net OPEB liability and related deferred inflows                 | (76,019)        |           |                  |
| Change in long-term compensated absences                                  | <u>(56,498)</u> |           |                  |
|                                                                           |                 |           | <u>(593,006)</u> |
| Change in net position of governmental activities                         |                 | <u>\$</u> | <u>(952,304)</u> |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET TO ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|                                                         | <b>Budgeted Amounts</b> |                    |                     | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|---------------------------------------------------------|-------------------------|--------------------|---------------------|---------------------------------------------------------------------|
|                                                         | <b>Original</b>         | <b>Final</b>       | <b>Actual</b>       |                                                                     |
| <b>REVENUES</b>                                         |                         |                    |                     |                                                                     |
| Taxes                                                   | 5,572,400               | \$ 5,572,400       | \$ 5,829,543        | \$ 257,143                                                          |
| Licenses, fees and permits                              | 1,455,000               | 1,455,000          | 1,585,374           | 130,374                                                             |
| Intergovernmental                                       | 3,776,530               | 3,776,530          | 3,301,629           | (474,901)                                                           |
| Charges for services                                    | 709,320                 | 709,320            | 646,977             | (62,343)                                                            |
| Fines                                                   | 42,500                  | 42,500             | 62,794              | 20,294                                                              |
| Miscellaneous                                           | 21,000                  | 21,000             | 106,818             | 85,818                                                              |
| Total revenues                                          | 11,576,750              | 11,576,750         | 11,533,135          | (43,615)                                                            |
| <b>EXPENDITURES</b>                                     |                         |                    |                     |                                                                     |
| Current                                                 |                         |                    |                     |                                                                     |
| General government                                      | 2,569,190               | 2,569,190          | 2,406,166           | 163,024                                                             |
| Public safety                                           | 4,445,090               | 4,445,090          | 4,024,731           | 420,359                                                             |
| Transportation                                          | 856,090                 | 856,090            | 802,110             | 53,980                                                              |
| Internal service                                        | 726,230                 | 726,230            | 714,646             | 11,584                                                              |
| Economic environment                                    | 450,000                 | 450,000            | 405,888             | 44,112                                                              |
| Human services                                          | 56,000                  | 56,000             | 56,000              | -                                                                   |
| Culture and recreation                                  | 3,196,120               | 3,196,120          | 2,545,122           | 650,998                                                             |
| Capital outlay                                          | 2,527,560               | 2,527,560          | 1,541,904           | 985,656                                                             |
| Debt service                                            |                         |                    |                     |                                                                     |
| Principal                                               | 574,180                 | 574,180            | 554,013             | 20,167                                                              |
| Interest                                                | 43,590                  | 43,590             | 39,421              | 4,169                                                               |
| Total expenditures                                      | 15,444,050              | 15,444,050         | 13,090,001          | 2,354,049                                                           |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>(3,867,300)</b>      | <b>(3,867,300)</b> | <b>(1,556,866)</b>  | <b>2,310,434</b>                                                    |
| <b>OTHER FINANCING SOURCES</b>                          |                         |                    |                     |                                                                     |
| Transfers in                                            | 600,000                 | 600,000            | 600,000             | -                                                                   |
| <b>NET CHANGE IN FUND BALANCE</b>                       | <b>(3,267,300)</b>      | <b>(3,267,300)</b> | <b>(956,866)</b>    | <b>2,310,434</b>                                                    |
| <b>FUND BALANCE AT BEGINNING OF YEAR</b>                | <b>3,269,300</b>        | <b>3,269,300</b>   | <b>6,279,949</b>    | <b>3,010,649</b>                                                    |
| <b>FUND BALANCE AT END OF YEAR</b>                      | <b>\$ 2,000</b>         | <b>\$ 2,000</b>    | <b>\$ 5,323,083</b> | <b>\$ 5,321,083</b>                                                 |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

|                                                 | <b>Water and<br/>Sewer Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total</b>  |
|-------------------------------------------------|---------------------------------|----------------------------|----------------------------|---------------|
| <b>ASSETS</b>                                   |                                 |                            |                            |               |
| Current assets                                  |                                 |                            |                            |               |
| Cash and cash equivalents                       | \$ 10,612,250                   | \$ 1,792,607               | \$ 869,701                 | \$ 13,274,558 |
| Receivables, net                                | 713,522                         | 254,594                    | 76,566                     | 1,044,682     |
| Due from other governments                      | -                               | -                          | 239,246                    | 239,246       |
| Due from other funds                            | 478,047                         | -                          | -                          | 478,047       |
| Prepaid items                                   | 30,000                          | -                          | -                          | 30,000        |
| Inventory, at cost                              | 251,581                         | 9,760                      | -                          | 261,341       |
| Total current assets                            | 12,085,400                      | 2,056,961                  | 1,185,513                  | 15,327,874    |
| Non-current assets                              |                                 |                            |                            |               |
| Restricted assets                               |                                 |                            |                            |               |
| Cash and cash equivalents                       | 6,849,668                       | -                          | 3,811                      | 6,853,479     |
| Capital assets                                  |                                 |                            |                            |               |
| Non-depreciable                                 | 2,073,328                       | 1,350                      | 1,526,851                  | 3,601,529     |
| Depreciable, net                                | 24,920,077                      | 534,493                    | 2,950,481                  | 28,405,051    |
| Total capital assets                            | 26,993,405                      | 535,843                    | 4,477,332                  | 32,006,580    |
| Other assets                                    |                                 |                            |                            |               |
| Investment in component unit                    | 7,061,953                       | -                          | -                          | 7,061,953     |
| Total non-current assets                        | 40,905,026                      | 535,843                    | 4,481,143                  | 45,922,012    |
| <b>TOTAL ASSETS</b>                             | 52,990,426                      | 2,592,804                  | 5,666,656                  | 61,249,886    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                                 |                            |                            |               |
| Deferred outflows related to pensions           | 851,114                         | 370,413                    | -                          | 1,221,527     |
| Deferred charges on refunding                   | 141,996                         | -                          | -                          | 141,996       |
| <b>TOTAL DEFERRED OUTFLOWS<br/>OF RESOURCES</b> | 993,110                         | 370,413                    | -                          | 1,363,523     |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION – CONTINUED  
SEPTEMBER 30, 2018**

|                                                | <b>Water and<br/>Sewer Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total</b>         |
|------------------------------------------------|---------------------------------|----------------------------|----------------------------|----------------------|
| <b>LIABILITIES</b>                             |                                 |                            |                            |                      |
| Current liabilities                            |                                 |                            |                            |                      |
| Accounts payable                               | \$ 290,319                      | \$ 423,500                 | \$ 4,200                   | \$ 718,019           |
| Accrued liabilities                            |                                 |                            |                            |                      |
| Compensated absences                           | 38,695                          | 11,625                     | -                          | 50,320               |
| Wages                                          | 30,914                          | 12,319                     | -                          | 43,233               |
| Interest                                       | 60,063                          | -                          | -                          | 60,063               |
| Lease payable                                  | 136,000                         | -                          | -                          | 136,000              |
| Revenue bonds payable                          | 955,863                         | -                          | -                          | 955,863              |
| State revolving loan payable                   | 106,119                         | -                          | 14,217                     | 120,336              |
| Payable from restricted assets                 |                                 |                            |                            |                      |
| Customer deposits                              | 739,472                         | -                          | -                          | 739,472              |
| Total current liabilities                      | <u>2,357,445</u>                | <u>447,444</u>             | <u>18,417</u>              | <u>2,823,306</u>     |
| Non-current liabilities                        |                                 |                            |                            |                      |
| Compensated absences                           | 136,121                         | 18,185                     | -                          | 154,306              |
| Net OPEB liability                             | 632,095                         | 249,841                    | -                          | 881,936              |
| Net pension liability                          | 1,974,346                       | 859,251                    | -                          | 2,833,597            |
| Lease payable, net                             | 568,000                         | -                          | -                          | 568,000              |
| Revenue bonds payable, net                     | 7,798,450                       | -                          | -                          | 7,798,450            |
| State revolving loans payable, net             | 3,106,930                       | -                          | 273,810                    | 3,380,740            |
| Total non-current liabilities                  | <u>14,215,942</u>               | <u>1,127,277</u>           | <u>273,810</u>             | <u>15,617,029</u>    |
| <b>TOTAL LIABILITIES</b>                       | <u>16,573,387</u>               | <u>1,574,721</u>           | <u>292,227</u>             | <u>18,440,335</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           |                                 |                            |                            |                      |
| Deferred inflows related to pensions           | 195,192                         | 84,949                     | -                          | 280,141              |
| Deferred inflows related to OPEB               | 57,461                          | 22,712                     | -                          | 80,173               |
| <b>TOTAL DEFERRED INFLOWS<br/>OF RESOURCES</b> | <u>252,653</u>                  | <u>107,661</u>             | <u>-</u>                   | <u>360,314</u>       |
| <b>NET POSITION</b>                            |                                 |                            |                            |                      |
| Net investment in capital assets               | 14,464,039                      | 535,843                    | 4,189,305                  | 19,189,187           |
| Restricted                                     |                                 |                            |                            |                      |
| Debt service                                   | 685,294                         | -                          | 3,811                      | 689,105              |
| Capital projects                               | 5,424,902                       | -                          | -                          | 5,424,902            |
| Unrestricted                                   | 16,583,261                      | 744,992                    | 1,181,313                  | 18,509,566           |
| <b>TOTAL NET POSITION</b>                      | <u>\$ 37,157,496</u>            | <u>\$ 1,280,835</u>        | <u>\$ 5,374,429</u>        | <u>\$ 43,812,760</u> |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|                                                              | <b>Water and<br/>Sewer Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total</b>         |
|--------------------------------------------------------------|---------------------------------|----------------------------|----------------------------|----------------------|
| <b>REVENUES</b>                                              |                                 |                            |                            |                      |
| Charges for services                                         | \$ 8,107,712                    | \$ 3,047,638               | \$ 481,849                 | \$ 11,637,199        |
| <b>OPERATING EXPENSES</b>                                    |                                 |                            |                            |                      |
| Personal services                                            | 2,087,046                       | 857,309                    | -                          | 2,944,355            |
| Operating                                                    | 3,149,468                       | 2,055,951                  | 166,887                    | 5,372,306            |
| Depreciation                                                 | 1,567,188                       | 94,007                     | 165,524                    | 1,826,719            |
| Total operating expenses                                     | 6,803,702                       | 3,007,267                  | 332,411                    | 10,143,380           |
| <b>OPERATING INCOME</b>                                      | 1,304,010                       | 40,371                     | 149,438                    | 1,493,819            |
| <b>NON-OPERATING REVENUES<br/>(EXPENSES)</b>                 |                                 |                            |                            |                      |
| Interest expense                                             | (346,179)                       | -                          | (9,070)                    | (355,249)            |
| Amortization                                                 | (12,667)                        | -                          | -                          | (12,667)             |
| Equity earnings in component unit                            | 94,973                          | -                          | -                          | 94,973               |
| Interest income                                              | 62,956                          | 2,948                      | 2,037                      | 67,941               |
| Miscellaneous                                                | 113,228                         | 87,243                     | -                          | 200,471              |
| Total non-operating revenue<br>(expenses)                    | (87,689)                        | 90,191                     | (7,033)                    | (4,531)              |
| <b>INCOME BEFORE CAPITAL<br/>CONTRIBUTIONS AND TRANSFERS</b> | 1,216,321                       | 130,562                    | 142,405                    | 1,489,288            |
| Capital contributions – impact fees                          | 697,097                         | -                          | 23,188                     | 720,285              |
| Capital grants                                               | -                               | -                          | 1,061,285                  | 1,061,285            |
| Transfers out                                                | (200,000)                       | (200,000)                  | (200,000)                  | (600,000)            |
| Total capital contributions<br>and transfers                 | 497,097                         | (200,000)                  | 884,473                    | 1,181,570            |
| <b>CHANGE IN NET POSITION</b>                                | 1,713,418                       | (69,438)                   | 1,026,878                  | 2,670,858            |
| <b>NET POSITION AT BEGINNING<br/>OF YEAR (RESTATED)</b>      | 35,444,078                      | 1,350,273                  | 4,347,551                  | 41,141,902           |
| <b>NET POSITION AT END OF YEAR</b>                           | <u>\$ 37,157,496</u>            | <u>\$ 1,280,835</u>        | <u>\$ 5,374,429</u>        | <u>\$ 43,812,760</u> |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|                                                                     | <b>Water and<br/>Sewer Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total</b>         |
|---------------------------------------------------------------------|---------------------------------|----------------------------|----------------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING<br/>ACTIVITIES</b>                     |                                 |                            |                            |                      |
| Receipts from customers and users                                   | \$ 8,102,796                    | \$ 3,047,353               | \$ 446,935                 | \$ 11,597,084        |
| Payments to suppliers                                               | (3,391,204)                     | (1,776,747)                | (207,029)                  | (5,374,980)          |
| Payments to employees                                               | (1,930,420)                     | (793,286)                  | -                          | (2,723,706)          |
| Miscellaneous income                                                | 113,229                         | 87,243                     | -                          | 200,472              |
| Net cash provided by operating activities                           | 2,894,401                       | 564,563                    | 239,906                    | 3,698,870            |
| <b>CASH FLOWS FROM NON-CAPITAL<br/>FINANCING ACTIVITIES</b>         |                                 |                            |                            |                      |
| Transfers out                                                       | (200,000)                       | (200,000)                  | (200,000)                  | (600,000)            |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b> |                                 |                            |                            |                      |
| Acquisitions of capital assets                                      | (578,416)                       | (277,849)                  | (1,223,768)                | (2,080,033)          |
| Proceeds from capital grants                                        | -                               | -                          | 822,039                    | 822,039              |
| Proceeds from impact fees                                           | 697,097                         | -                          | 23,188                     | 720,285              |
| Principal paid on state revolving loans                             | (105,119)                       | -                          | (13,795)                   | (118,914)            |
| Principal paid on long-term debt                                    | (1,091,523)                     | -                          | -                          | (1,091,523)          |
| Principal paid on capital leases                                    | (133,000)                       | -                          | -                          | (133,000)            |
| Interest paid on long-term debt                                     | (353,621)                       | -                          | (9,070)                    | (362,691)            |
| Net cash used in capital and related<br>financing activities        | (1,564,582)                     | (277,849)                  | (401,406)                  | (2,243,837)          |
| <b>CASH FLOWS FROM INVESTING<br/>ACTIVITIES</b>                     |                                 |                            |                            |                      |
| Interest income                                                     | 62,956                          | 2,948                      | 2,037                      | 67,941               |
| <b>NET INCREASE IN CASH<br/>AND CASH EQUIVALENTS</b>                | 1,192,775                       | 89,662                     | (359,463)                  | 922,974              |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING</b>                         | 16,269,143                      | 1,702,945                  | 1,232,975                  | 19,205,063           |
| <b>CASH AND CASH EQUIVALENTS, ENDING</b>                            | <u>\$ 17,461,918</u>            | <u>\$ 1,792,607</u>        | <u>\$ 873,512</u>          | <u>\$ 20,128,037</u> |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS – CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

|                                                                                                         | <b>Water and<br/>Sewer Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Stormwater<br/>Fund</b> | <b>Total</b>         |
|---------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------|----------------------------|----------------------|
| <b>CASH AND CASH EQUIVALENTS AT END<br/>OF YEAR CONSIST OF</b>                                          |                                 |                            |                            |                      |
| Current assets                                                                                          | \$ 10,612,250                   | \$ 1,792,607               | \$ 869,701                 | \$ 13,274,558        |
| Restricted assets                                                                                       | 6,849,668                       | -                          | 3,811                      | 6,853,479            |
| Total cash and cash equivalents                                                                         | <u>\$ 17,461,918</u>            | <u>\$ 1,792,607</u>        | <u>\$ 873,512</u>          | <u>\$ 20,128,037</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH<br/>PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>    |                                 |                            |                            |                      |
| Operating income                                                                                        | \$ 1,304,010                    | \$ 40,371                  | \$ 149,438                 | \$ 1,493,819         |
| Adjustments to reconcile operating income<br>to net cash provided by (used in) operating<br>activities: |                                 |                            |                            |                      |
| Depreciation                                                                                            | 1,567,188                       | 94,007                     | 165,524                    | 1,826,719            |
| Miscellaneous revenue                                                                                   | 113,229                         | 87,243                     | -                          | 200,472              |
| Decrease (increase) in assets:                                                                          |                                 |                            |                            |                      |
| Accounts receivable                                                                                     | (27,784)                        | (285)                      | (34,914)                   | (62,983)             |
| Inventory                                                                                               | 2,970                           | (2,072)                    | -                          | 898                  |
| Prepaid expenses                                                                                        | 1,000                           | -                          | -                          | 1,000                |
| Increase in deferred outflows                                                                           | (24,536)                        | (10,431)                   | -                          | (34,967)             |
| Increase (decrease) in liabilities:                                                                     |                                 |                            |                            |                      |
| Accounts payable                                                                                        | (245,706)                       | 281,276                    | (40,142)                   | (4,572)              |
| Accrued wages                                                                                           | 1,955                           | (488)                      | -                          | 1,467                |
| Customer deposits                                                                                       | 22,868                          | -                          | -                          | 22,868               |
| Compensated absences                                                                                    | (358)                           | (1,742)                    | -                          | (2,100)              |
| Net OPEB liability                                                                                      | (35,829)                        | (14,162)                   | -                          | (49,991)             |
| Net pension liability                                                                                   | 87,840                          | 37,665                     | -                          | 125,505              |
| Decrease in deferred inflows                                                                            | 127,554                         | 53,181                     | -                          | 180,735              |
| Net cash provided by operating activities                                                               | <u>\$ 2,894,401</u>             | <u>\$ 564,563</u>          | <u>\$ 239,906</u>          | <u>\$ 3,698,870</u>  |
| <b>SUPPLEMENTAL DISCLOSURES OF<br/>NONCASH TRANSACTIONS</b>                                             |                                 |                            |                            |                      |
| Equity earnings in joint venture                                                                        | <u>\$ 94,973</u>                | <u>\$ -</u>                | <u>\$ -</u>                | <u>\$ 94,973</u>     |
| Debt-related amortization                                                                               | <u>\$ (12,667)</u>              | <u>\$ -</u>                | <u>\$ -</u>                | <u>\$ (12,667)</u>   |

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
AGENCY FUND – SCHOLARSHIPS  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2018**

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**ASSETS**

|                           |            |
|---------------------------|------------|
| Cash and cash equivalents | \$ 380,494 |
| Other receivables         | <u>539</u> |

**TOTAL ASSETS**

\$ 381,033

**LIABILITIES**

|                               |                   |
|-------------------------------|-------------------|
| Due to scholarship recipients | <u>\$ 381,033</u> |
|-------------------------------|-------------------|

**TOTAL LIABILITIES**

\$ 381,033

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**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.

Niceville-Valparaiso Regional Sewer Board, Inc. (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 and the City of Valparaiso, Florida. The City of Niceville and Valparaiso are 80% and 20% owners, respectively. 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. 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 \$7,061,953 as of September 30, 2018.

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 the NVRSB is considered to be a component unit of the City, and accordingly the, NVRSB's June 30, 2018 year-end financial information has been presented within the government-wide financial statements as a discretely presented component unit.

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.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**The Reporting Entity – Continued**

The Niceville Housing Authority is considered a related organization to the City rather than a component unit. The City 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 non-fiduciary 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.

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.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Measurement Focus and Basis of Accounting -- Continued**

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).

The following is the current property tax calendar:

|                 |                  |
|-----------------|------------------|
| Lien Date       | January 1, 2018  |
| Levy Date       | November 1, 2018 |
| Due Date        | November 1, 2018 |
| Delinquent Date | April 1, 2019    |

Discounts of 1% are granted for each month taxes are paid prior to March 2019.

Revenue recognition criteria for property taxes requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2018 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.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Basis of Presentation – Continued**

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.

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 that provides distribution of potable water, sales and service and sanitary wastewater collection, treatment and disposal.

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

*Stormwater Fund* – Accounts for the operations of the City that provides for stormwater utility services and collection.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***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 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.

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance**

***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.

***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 nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued**

***Receivables and Payables – Continued***

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 uncollectible accounts. The allowance is computed using 65% of receivables in excess of 90 days.

***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.

***Restricted Assets***

Restricted assets are maintained in both the governmental and business-type activities. Certain proceeds of long-term debt issues are classified as restricted assets because their use is limited by applicable debt covenants. Water meter deposits received from customers of the water and sewer system are 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 General Fund and the Water and Sewer Fund for future capital expansion projects.

***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     | \$500 |
| Infrastructure                 | \$500 |
| Improvements – other           | \$500 |
| Equipment, vehicles, computers | \$500 |
| Library books                  | All   |

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – 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:

| <b><u>Assets</u></b>              | <b><u>Years</u></b> |
|-----------------------------------|---------------------|
| 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, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued**

***Compensated Absences – Continued***

| <u><b>Years of Employment</b></u> | <u><b>Max. Number<br/>of Accumulated<br/>Hrs. to be paid</b></u> |
|-----------------------------------|------------------------------------------------------------------|
| 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 type financial statements, long-term debt and other long-term obligations are reported as liabilities.

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 inflow/outflow of resources and is amortized as a component of interest expense 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. Investments are reported at fair value. Typically, pension liabilities have been liquidated by the fund that incurred the expenditure for pensionable wages.

***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 and OPEB plans. See Notes 7 and 8 for additional information related to the defined benefit pension and OPEB plans.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued**

***Deferred Outflows/Inflows of Resources – Continued***

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. See Notes 7 and 8 for additional information related to the defined benefit pension and OPEB plans.

***Classification of Fund Balance***

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, clarifies governmental fund balance classifications and 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 are comprised of the following:

- Nonspendable – 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 – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed – includes 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 – 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 – 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.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance – Continued**

***Classification of Fund Balance – Continued***

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 within 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 2019 fiscal year budget process are classified as assigned. Encumbrances with no contractual obligations are classified as assigned fund balances. 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 considered to be spent from the most restrictive classification first.

***Net Position***

Net position in the government-wide and proprietary fund financial statements are classified as 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 considers restricted amounts to be spent first when both restricted and unrestricted net position is available.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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.

**Reclassifications**

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on total fund balance or net position previously reported.

**Subsequent Events**

The City has evaluated events and transactions that occurred between September 30, 2018, and April 23, 2019, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**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.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED**

**Budgets – Continued**

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 2018.

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.

**3. DEPOSITS AND INVESTMENTS**

The investment of surplus funds is governed by provision of Section 218.415, Florida Statutes, 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, 2018, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and, therefore, have no custodial credit 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, 2018, the City did not have any deposits classified as investments.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**4. RECEIVABLES**

Receivables at September 30, 2018, were as follows:

|                                      | <b>Governmental<br/>Activities</b> | <b>Business-Type</b>     |                   |                   |                     |
|--------------------------------------|------------------------------------|--------------------------|-------------------|-------------------|---------------------|
|                                      | <b>General</b>                     | <b>Water &amp; Sewer</b> | <b>Sanitation</b> | <b>Stormwater</b> | <b>Total</b>        |
| Accounts                             | \$ 230,950                         | \$ 754,232               | \$ 281,459        | \$ 81,173         | \$ 1,347,814        |
| Less allowance for doubtful accounts | -                                  | (40,710)                 | (26,865)          | (4,607)           | (72,182)            |
| Receivables, net                     | 230,950                            | 713,522                  | 254,594           | 76,566            | 1,275,632           |
| Due from other governments           | 715,974                            | -                        | -                 | 239,246           | 955,220             |
| Total                                | <u>\$ 946,924</u>                  | <u>\$ 713,522</u>        | <u>\$ 254,594</u> | <u>\$ 315,812</u> | <u>\$ 2,230,852</u> |

**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. In the Stormwater Fund, amounts due from other governments consists of capital grants receivable for a stormwater improvement project.

**5. CAPITAL ASSETS**

Assets acquired through capital leases are as follows:

| <b><u>Assets</u></b>        | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |
|-----------------------------|------------------------------------|-------------------------------------|
| Water meter upgrade project | \$ -                               | \$ 1,326,044                        |
| Fire truck                  | 836,265                            | -                                   |
| Asphalt patch truck         | 149,155                            | -                                   |
| Assets acquired by lease    | <u>\$ 985,420</u>                  | <u>\$ 1,326,044</u>                 |

**CITY OF NICEVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**5. CAPITAL ASSETS – CONTINUED**

Capital asset activity for the year ended September 30, 2018, was as follows:

|                                             | <b>Beginning<br/>Balance</b> | <b>Increases</b>  | <b>Decreases</b> | <b>Adjustments<br/>/ Transfers</b> | <b>Ending<br/>Balance</b> |
|---------------------------------------------|------------------------------|-------------------|------------------|------------------------------------|---------------------------|
| <b>Governmental activities</b>              |                              |                   |                  |                                    |                           |
| Capital assets not being depreciated        |                              |                   |                  |                                    |                           |
| Land                                        | \$ 4,178,249                 | \$ -              | \$ -             | \$ -                               | \$ 4,178,249              |
| Construction in progress                    | 1,338,455                    | 533,127           | -                | (193,794)                          | 1,677,788                 |
| Total capital assets not being depreciated  | 5,516,704                    | 533,127           | -                | (193,794)                          | 5,856,037                 |
| Capital assets being depreciated            |                              |                   |                  |                                    |                           |
| Buildings                                   | 5,728,031                    | -                 | -                | 220,924                            | 5,948,955                 |
| Improvements other than buildings           | 9,900,083                    | 96,811            | -                | (22,104)                           | 9,974,790                 |
| Infrastructure                              | 7,450,171                    | -                 | -                | -                                  | 7,450,171                 |
| Machinery and equipment                     | 7,445,804                    | 911,966           | (129,807)        | -                                  | 8,227,963                 |
| Library books                               | 182,973                      | -                 | (15,550)         | -                                  | 167,423                   |
| Total capital assets being depreciated      | 30,707,062                   | 1,008,777         | (145,357)        | 198,820                            | 31,769,302                |
| Less accumulated depreciation               |                              |                   |                  |                                    |                           |
| Buildings                                   | (3,018,875)                  | (151,742)         | -                | -                                  | (3,170,617)               |
| Improvements other than buildings           | (4,952,205)                  | (295,686)         | 7,345            | -                                  | (5,240,546)               |
| Infrastructure                              | (5,580,225)                  | (205,552)         | -                | -                                  | (5,785,777)               |
| Machinery and equipment                     | (5,544,178)                  | (763,256)         | 122,462          | (145,002)                          | (6,329,974)               |
| Library books                               | (182,973)                    | -                 | 15,550           | -                                  | (167,423)                 |
| Total accumulated depreciation              | (19,278,456)                 | (1,416,236)       | 145,357          | (145,002)                          | (20,694,337)              |
| Total capital assets being depreciated, net | 11,428,606                   | (407,459)         | -                | 53,818                             | 11,074,965                |
| <b>Governmental activities, net</b>         | <b>\$ 16,945,310</b>         | <b>\$ 125,668</b> | <b>\$ -</b>      | <b>\$ (139,976)</b>                | <b>\$ 16,931,002</b>      |

Construction in progress in the governmental activities includes construction costs incurred for the new senior center, a lighting project at Twin Oaks Subdivision, and other various improvement projects. The City anticipates completion of these projects in fiscal year 2019. There were no material open construction contract commitments related to the projects as of September 30, 2018.

**CITY OF NICEVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**5. CAPITAL ASSETS – CONTINUED**

|                                             | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Adjustments<br/>/ Transfers</u> | <u>Ending<br/>Balance</u> |
|---------------------------------------------|------------------------------|--------------------|------------------|------------------------------------|---------------------------|
| <b>Business-type activities</b>             |                              |                    |                  |                                    |                           |
| Capital assets not being depreciated        |                              |                    |                  |                                    |                           |
| Land                                        | \$ 1,024,425                 | \$ 459,736         | \$ -             | \$ -                               | \$ 1,484,161              |
| Construction in progress                    | <u>1,576,849</u>             | <u>681,159</u>     | <u>-</u>         | <u>(140,640)</u>                   | <u>2,117,368</u>          |
| Total capital assets not being depreciated  | <u>2,601,274</u>             | <u>1,140,895</u>   | <u>-</u>         | <u>(140,640)</u>                   | <u>3,601,529</u>          |
| Capital assets being depreciated            |                              |                    |                  |                                    |                           |
| Buildings                                   | 3,581,456                    | -                  | -                | (1)                                | 3,581,455                 |
| Improvements other than buildings           | 43,839,573                   | 523,800            | -                | 48,917                             | 44,412,290                |
| Machinery and equipment                     | <u>4,447,018</u>             | <u>415,338</u>     | <u>(58,090)</u>  | <u>(106)</u>                       | <u>4,804,160</u>          |
| Total capital assets being depreciated      | <u>51,868,047</u>            | <u>939,138</u>     | <u>(58,090)</u>  | <u>48,810</u>                      | <u>52,797,905</u>         |
| Less accumulated depreciation               |                              |                    |                  |                                    |                           |
| Buildings                                   | (2,115,853)                  | (94,482)           | -                | -                                  | (2,210,335)               |
| Improvements other than buildings           | (16,849,657)                 | (1,251,698)        | -                | 91,830                             | (18,009,525)              |
| Machinery and equipment                     | <u>(3,750,545)</u>           | <u>(480,539)</u>   | <u>58,090</u>    | <u>-</u>                           | <u>(4,172,994)</u>        |
| Total accumulated depreciation              | <u>(22,716,055)</u>          | <u>(1,826,719)</u> | <u>58,090</u>    | <u>91,830</u>                      | <u>(24,392,854)</u>       |
| Total capital assets being depreciated, net | <u>29,151,992</u>            | <u>(887,581)</u>   | <u>-</u>         | <u>140,640</u>                     | <u>28,405,051</u>         |
| <b>Business-type activities, net</b>        | <u>\$ 31,753,266</u>         | <u>\$ 253,314</u>  | <u>\$ -</u>      | <u>\$ -</u>                        | <u>\$ 32,006,580</u>      |

Construction in progress in the business-type activities includes various water and sewer construction projects, a joint wastewater project with Okaloosa County and the City of Valparaiso, and a major project to upgrade the City's stormwater management system. The City anticipates completion of the projects in the fiscal year 2019.

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

|                                                       |                     |
|-------------------------------------------------------|---------------------|
| <b>Governmental activities</b>                        |                     |
| General government                                    | \$ 369,975          |
| Public safety                                         | 489,743             |
| Transportation                                        | 221,299             |
| Culture and recreation                                | <u>335,219</u>      |
| Total depreciation expense – governmental activities  | <u>\$ 1,416,236</u> |
| <b>Business-type activities</b>                       |                     |
| Water and sewer                                       | \$ 1,567,188        |
| Sanitation                                            | 94,007              |
| Non-major                                             | <u>165,524</u>      |
| Total depreciation expense – business-type activities | <u>\$ 1,826,719</u> |

**CITY OF NICEVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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**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.

| <u>City's Matching Contribution</u>                                       | <u>Percentage</u> |
|---------------------------------------------------------------------------|-------------------|
| 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 plan is closed to new entrants. 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. As of September 30, 2018, assets of the plan have a fair value of \$3,998,136. The City made matching contributions of \$40,145.

**7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM**

All of the City's employees may 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.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED**

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, Research and Education Section, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**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. *Regular Class* members enrolled before July 1, 2011, 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 1.60% 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) enrolled before July 1, 2011, 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.

For pension 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.

**CITY OF NICEVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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**7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED**

**Pension Plan – Continued**

*Benefits Provided – Continued*

As provided in Section 121.101, Florida Statutes, if the member was 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 each of the prior three years are as follows:

|                          | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--------------------------|-------------|-------------|-------------|
| Regular Class:           | 8.26%       | 7.92%       | 7.52%       |
| Special Risk Class:      | 24.50%      | 23.27%      | 22.57%      |
| Senior Management Class: | 24.06%      | 22.71%      | 21.77%      |
| DROP:                    | 14.03%      | 13.26%      | 12.99%      |

These employer contribution rates include 1.66% for HIS Plan subsidies for the periods October 1, 2016 through September 30, 2018. The City's contributions, including employee contributions, to the Pension Plan totaled \$706,480, \$624,711, and \$558,502 for the fiscal years ended September 30, 2018, 2017, and 2016, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources*

At September 30, 2018, the City reported a liability of \$7,466,722 for its proportionate share of the Pension Plan's net pension liability. The City's proportionate share of the net pension liability was based on the City's share of contributions to the FRS relative to the contributions of all participating governments. At June 30, 2018, the City's proportionate share was 0.024789488%.

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED**

**Pension Plan – Continued**

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources – Continued*

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$1,304,110. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                        | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                                                                     | \$ 632,544                                    | \$ 22,958                                    |
| Change of assumptions                                                                                                  | 2,439,762                                     | -                                            |
| Net difference between projected and actual earnings on pension plan investments                                       | -                                             | 576,895                                      |
| Changes in proportion and differences between City pension plan contributions and proportionate share of contributions | 415,298                                       | 108,608                                      |
| City pension plan contributions subsequent to the measurement date                                                     | 194,324                                       | -                                            |
|                                                                                                                        | <u>\$ 3,681,928</u>                           | <u>\$ 708,461</u>                            |

A component of deferred outflows of resources related to the pension plan of \$194,324 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, 2019. Other components reported as deferred outflows of resources and deferred inflows of resources related to the pension plan, except for changes in proportion and related differences in the share of contributions, will be recognized in pension expense as follows:

**Fiscal year ending  
September 30:**

|            | <b>Amount</b>       |
|------------|---------------------|
| 2019       | \$ 981,497          |
| 2020       | 735,796             |
| 2021       | 185,828             |
| 2022       | 500,206             |
| 2023       | 323,754             |
| Thereafter | 52,062              |
|            | <u>\$ 2,779,143</u> |

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED**

**Pension Plan – Continued**

*Actuarial Assumptions*

The total pension liability in the July 1, 2018, 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 | 7.00%, 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, 2018, valuation were based on the results of a 2014 actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

| <b>Asset Class</b>       | <b>Target Allocation (1)</b> | <b>Annual Arithmetic Return</b> | <b>Compound Annual (Geometric) Return</b> | <b>Standard Deviation</b> |
|--------------------------|------------------------------|---------------------------------|-------------------------------------------|---------------------------|
| Cash                     | 1.00%                        | 2.90%                           | 2.90%                                     | 1.80%                     |
| Fixed income             | 18.00%                       | 4.40%                           | 4.30%                                     | 4.00%                     |
| Global equity            | 54.00%                       | 7.60%                           | 6.30%                                     | 17.00%                    |
| Private equity           | 10.00%                       | 10.70%                          | 7.80%                                     | 26.50%                    |
| Strategic investments    | 6.00%                        | 6.00%                           | 5.70%                                     | 8.60%                     |
| Real estate (property)   | 11.00%                       | 6.60%                           | 6.00%                                     | 11.30%                    |
| Total                    | <u>100.00%</u>               |                                 |                                           |                           |
| Assumed inflation – mean |                              |                                 | 2.60%                                     | 1.90%                     |

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

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED**

**Pension Plan – Continued**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. 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.

*Sensitivity 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 7.00%, 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 or one percentage point higher than the current rate:

|                                                                 | <b>1% Decrease<br/>(6.00%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(7.00%)</b> | <b>1% Increase<br/>(8.00%)</b> |
|-----------------------------------------------------------------|--------------------------------|--------------------------------------------------|--------------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 13,627,081                  | \$ 7,466,722                                     | \$ 2,350,180                   |

*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, 2018, 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.

**CITY OF NICEVILLE, FLORIDA  
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**7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED**

**HIS Plan – Continued**

*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, 2018, the HIS contribution for the plan was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$112,096, \$105,319, and \$98,175 for the fiscal years ended September 30, 2018, 2017, and 2016, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources*

At September 30, 2018, the City reported a liability of \$2,187,781 for its proportionate share of the HIS Plan's net pension liability. At June 30, 2018, the City's proportionate share was .020670426%.

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$192,441. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

|                                                                                                                           | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience                                                                        | \$ 33,494                                     | \$ 3,717                                     |
| Change of assumptions                                                                                                     | 243,308                                       | 231,311                                      |
| Net difference between projected and actual earnings on<br>pension plan investments                                       | 1,321                                         | -                                            |
| Changes in proportion and differences between City pension plan<br>contributions and proportionate share of contributions | 172,905                                       | 10,993                                       |
| City pension plan contributions subsequent to the measurement date                                                        | 28,973                                        | -                                            |
|                                                                                                                           | <u>\$ 480,001</u>                             | <u>\$ 246,021</u>                            |

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED**

**HIS Plan – Continued**

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources – Continued*

A component of deferred outflows of resources related to the HIS Plan, totaling \$28,973 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, 2019. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan, except for changes in proportion and related differences in the share of contributions, will be recognized in pension expense as follows:

| <b>Fiscal year ending</b>   | <b>Amount</b>            |
|-----------------------------|--------------------------|
| <b><u>September 30:</u></b> |                          |
| 2019                        | \$ 59,753                |
| 2020                        | 59,641                   |
| 2021                        | 54,660                   |
| 2022                        | 35,762                   |
| 2023                        | (6,426)                  |
| Thereafter                  | 1,617                    |
|                             | <u><u>\$ 205,007</u></u> |

*Actuarial Assumptions*

The total pension liability in the July 1, 2018, 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 | 3.87%                               |

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of a 2014 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 3.87%. 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**  
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**7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED**

**HIS Plan – Continued**

*Sensitivity 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 3.87%, 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 one percentage point higher than the current rate:

|                                                                 | <b>1% Decrease<br/>(2.87%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(3.87%)</b> | <b>1% Increase<br/>(4.87%)</b> |
|-----------------------------------------------------------------|--------------------------------|--------------------------------------------------|--------------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 2,491,754                   | \$ 2,187,781                                     | \$ 1,934,402                   |

*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 (OPEB)**

**OPEB Plan**

*Plan Description*

The City provides certain continuing health care and life insurance benefits for its retired employees. The plan is a single employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the City, employees, and retirees rests with the City Council. The plan does not issue a separate report.

Plan Membership as of September 30, 2018

|                                                                             |     |
|-----------------------------------------------------------------------------|-----|
| Inactive plan members or beneficiaries currently receiving benefit payments | 9   |
| Inactive plan members entitled to but not yet receiving benefit payments    | -   |
| Active employees                                                            | 160 |
|                                                                             | 169 |

*Benefits Provided*

Medical benefits are provided through comprehensive plans and are made available to employees upon actual retirement. For employees participating in the FRS pension plan, eligibility is the same as that of the pension plan. For non-FRS pension plan participants, employees are eligible to receive full benefits after 30 years.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

**Net OPEB Liability**

*Actuarial Assumptions*

The total OPEB liability was determined by an actuarial valuation as of October 1, 2017, using the following actuarial assumptions:

|                        |                                                                                                                                                             |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prior measurement date | September 30, 2017                                                                                                                                          |
| Measurement date       | September 30, 2018                                                                                                                                          |
| Valuation date         | October 1, 2017<br>Actuarially determined contributions are calculated as of the last day of the fiscal year in which contributions are reported.           |
| Actuarial cost method  | Individual Entry Age Normal                                                                                                                                 |
| Amortization method    | Level dollar, open                                                                                                                                          |
| Amortization period    | 30 years                                                                                                                                                    |
| Asset valuation method | Market value                                                                                                                                                |
| Inflation              | 2.5% annually                                                                                                                                               |
| Salary increase        | 3% annually                                                                                                                                                 |
| Prior discount rate    | 3.63%                                                                                                                                                       |
| Discount rate          | 4.18% annually which is the Bond Buyer 20-Bond General Obligation Index. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. |

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

**Net OPEB Liability – Continued**

*Actuarial Assumptions – Continued*

|                |                                                                                                                                                                                                                                      |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retirement age | For employees participating in the Florida Retirement System (FRS) Pension Plan, eligibility is the same as the pension plan. For non-pension plan participants, all employees are eligible to receive full benefits after 30 years. |
| Mortality      | SOA RP-2000 Combined Mortality Table                                                                                                                                                                                                 |
| Turnover       | Age specific table with an average of 15% when applied to the active census.                                                                                                                                                         |

*Changes in Net OPEB Liability*

|                                                       | <b>Increase (Decrease)</b>              |                                                |                                             |
|-------------------------------------------------------|-----------------------------------------|------------------------------------------------|---------------------------------------------|
|                                                       | <b>Total OPEB<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net OPEB<br/>Liability<br/>(a) - (b)</b> |
| Balances at September 30, 2017                        | \$ 3,279,165                            | \$ -                                           | \$ 3,279,165                                |
| Changes for the year:                                 |                                         |                                                |                                             |
| Service cost                                          | 63,444                                  | -                                              | 63,444                                      |
| Interest                                              | 120,185                                 | -                                              | 120,185                                     |
| Differences between expected and<br>actual experience | (46,702)                                | -                                              | (46,702)                                    |
| Changes of assumptions                                | (249,503)                               | -                                              | (249,503)                                   |
| Benefit payments                                      | (63,323)                                | -                                              | (63,323)                                    |
| Net changes                                           | (175,899)                               | -                                              | (175,899)                                   |
| Balances at September 30, 2018                        | <u>\$ 3,103,266</u>                     | <u>\$ -</u>                                    | <u>\$ 3,103,266</u>                         |

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED**

**Net OPEB Liability – Continued**

*Sensitivity of Net OPEB Liability to Changes in the Discount Rate:*

|                    | <b>1% Decrease<br/>3.18%</b> | <b>Current<br/>Discount Rate<br/>4.18%</b> | <b>1% Increase<br/>5.18%</b> |
|--------------------|------------------------------|--------------------------------------------|------------------------------|
| Net OPEB liability | \$ 3,597,611                 | \$ 3,103,266                               | \$ 2,706,582                 |

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:*

|                    | <b>1% Decrease<br/>4.50%</b> | <b>Current<br/>Healthcare Trend<br/>5.50%</b> | <b>1% Increase<br/>6.50%</b> |
|--------------------|------------------------------|-----------------------------------------------|------------------------------|
| Net OPEB liability | \$ 2,706,567                 | \$ 3,103,266                                  | \$ 3,594,207                 |

*OPEB Liabilities, OPEB Expense, and Deferred Inflows/Outflows of Resources*

For the fiscal year ended September 30, 2018, the City recognized OPEB expense of \$169,524. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                    | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|----------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual experience | \$ -                                          | \$ 44,478                                    |
| Changes of assumptions                             | -                                             | 237,622                                      |
| Total                                              | <u>\$ -</u>                                   | <u>\$ 282,100</u>                            |

Components of deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense (income) as follows:

Year ended September 30:

|            |                     |
|------------|---------------------|
| 2019       | \$ (14,105)         |
| 2020       | (14,105)            |
| 2021       | (14,105)            |
| 2022       | (14,105)            |
| 2023       | (14,105)            |
| Thereafter | <u>(211,575)</u>    |
|            | <u>\$ (282,100)</u> |

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
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**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.

**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 Fund. As of September 30, 2018, the City has recorded a prepaid asset of \$30,000 related to this lease.

**Board of County Commissioners Lease**

In October 2008, the City renewed an operating lease with the Okaloosa County 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 initial lease period was two years and has provisions for annual automatic renewals unless cancelled by either party. For the fiscal year ended September 30, 2018, the City recognized \$13,000 as revenues, which was included as a component of charges for services in the General Fund.

**Retail Office Space Lease**

In April 2018, Katie's House of Flowers renewed its previous operating lease with the City for retail office space. The lease is for a one-year period expiring in April 2019 and allows for an additional one-year extension at the option of the lessee. The base monthly rent is \$1,530 plus applicable sales taxes. During the fiscal year ended September 30, 2018, the City recognized rental income of \$18,150, which was included as a component of charges for services in the General Fund.

**CITY OF NICEVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**11. LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2018, is summarized as follows:

|                                                                | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Reductions</b>     | <b>Ending<br/>Balance</b> | <b>Within One<br/>Year</b> |
|----------------------------------------------------------------|------------------------------|-------------------|-----------------------|---------------------------|----------------------------|
| <b>Governmental activities</b>                                 |                              |                   |                       |                           |                            |
| Sales Tax Revenue Refunding Bonds,<br>Series 2011              | \$ 305,349                   | \$ -              | \$ (148,983)          | \$ 156,366                | \$ 156,366                 |
| Gas Tax Revenue Refunding Bonds,<br>Series 2011                | 437,586                      | -                 | (215,658)             | 221,928                   | 221,928                    |
| Capital lease - fire truck                                     | 734,000                      | -                 | (117,000)             | 617,000                   | 119,000                    |
| Capital lease - asphalt patch truck                            | 100,000                      | -                 | (30,000)              | 70,000                    | 35,000                     |
| Capital leases - land                                          | 459,487                      | -                 | (42,372)              | 417,115                   | 33,052                     |
| Compensated absences                                           | 588,332                      | 266,065           | (209,567)             | 644,830                   | 171,465                    |
| <b>Total governmental activities</b>                           | <b>\$ 2,624,754</b>          | <b>\$ 266,065</b> | <b>\$ (763,580)</b>   | <b>\$ 2,127,239</b>       | <b>\$ 736,811</b>          |
| <b>Business-type activities</b>                                |                              |                   |                       |                           |                            |
| Water and Sewer Refunding Bonds,<br>Series 1993*               | \$ 370,000                   | \$ -              | \$ (370,000)          | \$ -                      | \$ -                       |
| Less deferred amount for<br>bond discount                      | (834)                        | -                 | 834                   | -                         | -                          |
| Water and Sewer Revenue Refunding<br>Bonds, Series 2011A, B, C | 2,319,236                    | -                 | (486,523)             | 1,832,713                 | 424,563                    |
| Water and Sewer Revenue Bonds,<br>Series 2012A                 | 590,000                      | -                 | (160,000)             | 430,000                   | 170,000                    |
| Water and Sewer Revenue Bonds,<br>Series 2012B                 | 1,540,000                    | -                 | -                     | 1,540,000                 | -                          |
| Water and Sewer Revenue Bonds,<br>Series 2014                  | 5,026,600                    | -                 | (75,000)              | 4,951,600                 | 361,300                    |
| Florida DEP State Revolving Loan, 2002A                        | 304,450                      | -                 | -                     | 304,450                   | -                          |
| Florida DEP State Revolving Loan, 2005A                        | 283,286                      | -                 | (425)                 | 282,861                   | -                          |
| 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                         | 1,616,356                    | -                 | (87,944)              | 1,528,412                 | 88,903                     |
| Florida DEP State Revolving Loan, 2012                         | 286,533                      | -                 | (16,750)              | 269,783                   | 17,216                     |
| Florida DEP State Revolving Loan, 2015                         | 301,822                      | -                 | (13,795)              | 288,027                   | 14,217                     |
| Capital lease payable, 2013                                    | 837,000                      | -                 | (133,000)             | 704,000                   | 136,000                    |
| Compensated absences                                           | 206,727                      | 74,165            | (76,266)              | 204,626                   | 50,320                     |
| <b>Total business-type activities</b>                          | <b>\$ 14,508,719</b>         | <b>\$ 74,165</b>  | <b>\$ (1,418,869)</b> | <b>\$ 13,164,015</b>      | <b>\$ 1,262,519</b>        |

\* 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, 2018**

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**11. LONG-TERM DEBT – CONTINUED**

**Description of Long-Term Debt Outstanding**

***Governmental Activities***

In 2011, the City issued \$1,009,101 Sales Tax Revenue Refunding Bonds, Series 2011 bonds. These bonds have a fixed interest rate of 1.97% and mature October 1, 2018. The bonds are due in annual principal installments of \$134,823 to \$156,366. The bonds are secured by pledged half-cent sales tax revenues. Bond proceeds were utilized for the current refunding of the Sales Tax Revenue Bonds, Series 2003.

In 2011, the City issued \$1,459,829 Gas Tax Revenue Refunding Bonds, Series 2011. The bonds bear interest at 1.97% and mature October 1, 2018. The bonds are due in annual principal installments of \$196,327 to \$221,928. The bonds are secured by pledged by local option gas tax revenues. Bond proceeds were utilized for the current refunding of the Gas Tax Revenue Bonds, Series 2003.

In 2016, the City entered into an \$852,000 capital lease agreement for a fire truck bearing interest at 1.75% and maturing in October 2022. The lease calls for semi-annual payments ranging from \$1,120 to \$129,762. The lease is secured by the fire truck.

In 2016, the City entered into a \$155,000 capital lease agreement for an asphalt patch truck bearing interest at 1.36% and maturing in September 2020. The lease requires annual payments ranging from \$25,732 to \$35,952. The lease is secured by the asphalt patch truck.

In 2017, the City entered into three capital leases for three parcels of land for the planned improvements related to the Niceville Landing Project. The leases bear interest at 4.50% and require monthly payments ranging from \$1,295 to \$2,590 based on a ten year amortization, with a balloon payment in September 2019 totaling \$406,220.

***Business-Type Activities***

In 1993, the City issued \$2,336,065 Water and Sewer Capital Appreciation Refunding Bonds, Series 1993, with no stated interest rate and an effective interest rate of 5.50% to 5.70%. The bonds matured in June 2018; and required annual installments of \$10,000 to \$370,000. The bonds were secured by pledged net revenues derived from water and sewer system.

In 2011, the City issued \$5,000,000 Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C, which bear interest at rates that range from 1.98% to 3.65% and mature in October 2031. The bonds require annual installments ranging from \$58,940 to \$590,421. Bond proceeds were used to fully refund the outstanding principal of a water and sewer note payable, principal on the City's various State Revolving Fund Loans, and funding future capital projects. The bonds are secured by pledged net revenues derived from water and sewer system.

In 2012, the City issued \$960,000 Water and Sewer Revenue Bonds, Series 2012A, which bears interest at 1.81% through October 2019. The bonds require annual installments ranging from \$3,475 to \$264,706. Bond proceeds were used finance the cost of capital improvements to the water and sewer facilities of the City. The bonds are secured by pledged net revenues derived from water and sewer system.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**11. LONG-TERM DEBT – CONTINUED**

**Description of Long-Term Debt Outstanding – Continued**

***Business-Type Activities – Continued***

In 2012, the City issued \$1,540,000 Water and Sewer Revenue Bonds, Series 2012B, which bear interest at 3.29% and mature in October 2027. The bonds require annual installments ranging from \$10,133 to \$225,666. The bond proceeds were used finance the cost of capital improvements to the water and sewer facilities of the City. The bonds are secured by pledged net revenues derived from water and sewer system.

In 2014, the City issued \$5,504,800 Water and Sewer Revenue Bonds, Series 2014, which bear interest at 2.46% to 2.64%; and are due in bi-annual installments of \$3,800 to \$478,980, through June 2030. Bond proceeds were used to refund the Water and Sewer Revenue Bonds, Series 2005, and to finance construction of extensions, additions and improvements to the water and sewer system. The bonds are secured by pledged net revenues derived from water and sewer system.

In 2002, the City obtained a note payable totaling \$2,304,000 from the State of Florida Department of Environmental Protection Revolving Loan Fund requiring semiannual payments of \$80,609 including interest at 3.09% through maturity in September 2023. Proceeds were used to construct a 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 2022, at which time semiannual principal and interest payments totaling \$78,799 will resume.

In 2004, the City obtained a note payable totaling \$967,745 from the State of Florida Department of Environmental Protection Revolving Loan Fund requiring semiannual payments of \$35,391 including interest at 2.72% through maturity in January 2026. The note is secured by pledged gross revenues derived from the 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 were used to finance the Bayshore Drive 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 2022, at which time semiannual principal and interest payments totaling \$35,391 will resume.

In 2005, the City obtained a note payable totaling \$1,295,558 from the State of Florida Department of Environmental Protection Revolving Loan Fund requiring semiannual payments of \$43,725 including interest at 2.62% through maturity in September 2026. The note is secured by pledged gross revenues derived from the 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 were used to finance a 2.0 MGD filter addition 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 2022, at which time semiannual principal and interest payments totaling \$43,683 will resume.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**11. LONG-TERM DEBT – CONTINUED**

**Description of Long-Term Debt Outstanding – Continued**

***Business-Type Activities – Continued***

In 2009, the City obtained a note payable totaling \$864,374 from the State of Florida Department of Environmental Protection Revolving Loan Fund requiring semiannual payments of \$28,487 including interest at 2.96% through maturity in May 2030. The note is secured by pledged gross revenues derived from the 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 were used to finance the replacement of two pump stations. 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 \$381,713. As a result of the advance payment, the City is making semiannual interest only payments of \$6,296 through May 2022, at which time semiannual principal and interest payments totaling \$28,487 will resume.

In 2011, the City obtained a note payable totaling \$1,968,498 from the State of Florida Department of Environmental Protection Revolving Loan Fund requiring semiannual payments of \$66,444 including interest at 2.92% through maturity in December 2033. The note is secured by pledged gross revenues derived from the 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 were used to finance the construction of the new City Hall Pump Station.

In 2011, the City obtained a note payable totaling \$765,234 from the State of Florida Department of Environmental Protection Revolving Loan Fund requiring semiannual payments of \$12,377, including interest at 2.76% through maturity in November 2032. The note is secured by pledged gross revenues derived from the 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 were used to finance pump station rehabilitation projects.

In 2014, the City obtained a note payable totaling \$440,188 from the State of Florida Department of Environmental Protection Revolving Loan Fund requiring semiannual payments of \$11,432, including interest at 2.62%, through maturity in August 2034. The note is secured by pledged gross revenues derived from stormwater utility fees. Proceeds were used to finance wastewater treatment facility construction.

In 2013, the City obtained a capital lease totaling \$1,340,000 with Regions Equipment Finance Corporation to finance the City's water and sewer meter reading equipment upgrade. The lease bears interest at 1.77% through maturity in April 2023. The lease is secured by equipment.

**CITY OF NICEVILLE, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**11. LONG-TERM DEBT – CONTINUED**

**Pledged Revenues**

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2018. The following table reports the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amount of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of principal and interest on the debt at year end.

| <b>Governmental Activities</b>                        |                        |                                                       |                                                                 |                                                         |                                              |                                       |
|-------------------------------------------------------|------------------------|-------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------|---------------------------------------|
| <b>Debt Outstanding</b>                               | <b>Pledged Revenue</b> | <b>Current Year<br/>Total<br/>Pledged<br/>Revenue</b> | <b>Pledged<br/>Outstanding<br/>Principal &amp;<br/>Interest</b> | <b>Estimated<br/>Revenue<br/>Percentage<br/>Pledged</b> | <b>Principal &amp;<br/>Interest<br/>Paid</b> | <b>Maturity<br/>Calendar<br/>Year</b> |
| Sales Tax Revenue Funding                             |                        |                                                       |                                                                 |                                                         |                                              |                                       |
| Bonds, Series 2011                                    | Half-cent sales tax    | \$ 1,404,683                                          | \$ 157,906                                                      | 11%                                                     | \$ 153,531                                   | 2018                                  |
| Gas Tax Revenue Refunding                             |                        |                                                       |                                                                 |                                                         |                                              |                                       |
| Bonds, Series 2011                                    | Local option gas tax   | \$ 385,292                                            | \$ 224,114                                                      | 58%                                                     | \$ 222,154                                   | 2018                                  |
| <b>Business-Type Activities</b>                       |                        |                                                       |                                                                 |                                                         |                                              |                                       |
| Water & Sewer Refunding Bonds,<br>Series 1993         | Water & sewer revenues | \$ 8,107,712                                          | \$ -                                                            | 0%                                                      | \$ 386,442                                   | 2018                                  |
| Water & Sewer Revenue Refunding<br>Bonds, Series 2011 | Water & sewer revenues | \$ 8,107,712                                          | \$ 2,063,748                                                    | 25%                                                     | \$ 535,740                                   | 2031                                  |
| Water & Sewer Revenue Bonds,<br>Series 2012A          | Water & sewer revenues | \$ 8,107,712                                          | \$ 438,598                                                      | 5%                                                      | \$ 169,231                                   | 2019                                  |
| Water & Sewer Revenue Bonds,<br>Series 2012B          | Water & sewer revenues | \$ 8,107,712                                          | \$ 1,850,905                                                    | 23%                                                     | \$ 50,666                                    | 2027                                  |
| Water & Sewer Revenue Bonds,<br>Series 2014           | Water & sewer revenues | \$ 8,107,712                                          | \$ 5,824,230                                                    | 72%                                                     | \$ 203,086                                   | 2030                                  |

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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, 2018, are as follows:

| <b>Governmental Activities</b> |                                                   |                 |                                                 |                 |                        |                  |
|--------------------------------|---------------------------------------------------|-----------------|-------------------------------------------------|-----------------|------------------------|------------------|
| Year ending<br>September<br>30 | Sales Tax Revenue Refunding<br>Bonds, Series 2011 |                 | Gas Tax Revenue Refunding<br>Bonds, Series 2011 |                 | Capital Leases Payable |                  |
|                                | Principal                                         | Interest        | Principal                                       | Interest        | Principal              | Interest         |
| 2019                           | \$ 156,366                                        | \$ 1,540        | \$ 221,928                                      | \$ 2,186        | \$ 187,052             | \$ 24,293        |
| 2020                           | -                                                 | -               | -                                               | -               | 540,063                | 12,411           |
| 2021                           | -                                                 | -               | -                                               | -               | 123,000                | 5,521            |
| 2022                           | -                                                 | -               | -                                               | -               | 126,000                | 3,343            |
| 2023                           | -                                                 | -               | -                                               | -               | 128,000                | 1,120            |
| Total                          | <u>\$ 156,366</u>                                 | <u>\$ 1,540</u> | <u>\$ 221,928</u>                               | <u>\$ 2,186</u> | <u>\$ 1,104,115</u>    | <u>\$ 46,688</u> |

| <b>Business-Type Activities</b> |                                  |                     |                       |                   |                        |                  |
|---------------------------------|----------------------------------|---------------------|-----------------------|-------------------|------------------------|------------------|
| Year ending<br>September<br>30  | Water and Sewer<br>Revenue Bonds |                     | State Revolving Loans |                   | Capital Leases Payable |                  |
|                                 | Principal                        | Interest            | Principal             | Interest          | Principal              | Interest         |
| 2019                            | \$ 955,863                       | \$ 227,461          | \$ 120,336            | \$ 102,011        | \$ 136,000             | \$ 12,460        |
| 2020                            | 983,924                          | 208,325             | 123,865               | 98,482            | 138,000                | 10,054           |
| 2021                            | 909,216                          | 185,506             | 127,497               | 94,850            | 141,000                | 7,612            |
| 2022                            | 764,299                          | 161,947             | 442,052               | 88,985            | 144,000                | 5,116            |
| 2023                            | 618,725                          | 143,228             | 478,774               | 75,515            | 145,000                | 2,566            |
| 2024-2028                       | 3,362,468                        | 392,243             | 1,392,134             | 223,700           | -                      | -                |
| 2029-2033                       | 1,159,818                        | 55,183              | 794,029               | 56,025            | -                      | -                |
| 2034-2038                       | -                                | -                   | 22,389                | 511               | -                      | -                |
| Total                           | <u>\$ 8,754,313</u>              | <u>\$ 1,373,893</u> | <u>\$ 3,501,076</u>   | <u>\$ 740,079</u> | <u>\$ 704,000</u>      | <u>\$ 37,808</u> |

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of September 30, 2018, is as follows:

| <b>Due to/from Other Funds</b> |                     |                   |
|--------------------------------|---------------------|-------------------|
| <b>Receivable Fund</b>         | <b>Payable Fund</b> | <b>Amount</b>     |
| Water and Sewer                | General             | <u>\$ 478,047</u> |

Amounts due to the Water and Sewer Fund from the General Fund consist of temporary advances made for various street, parks, and public safety projects.

The composition of interfund transfers for the year ended September 30, 2018, is as follows:

| <b>Interfund Transfers</b> |                         |                   |
|----------------------------|-------------------------|-------------------|
| <b>Transfer Out Fund</b>   | <b>Transfer In Fund</b> | <b>Amount</b>     |
| Water and Sewer            | General                 | \$ 200,000        |
| Sanitation                 | General                 | 200,000           |
| Stormwater                 | General                 | 200,000           |
|                            |                         | <u>\$ 600,000</u> |

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. ENCUMBRANCES**

As of September 30, 2018, the amount of encumbrances outstanding in the General Fund were \$13,741. Encumbrances at year end do not constitute expenditures or liabilities; therefore, they are not reflected in the financial statements.

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**14. GOVERNMENTAL FUND BALANCES**

As of September 30, 2018, the City's governmental fund balances were classified as follows:

|                                | <b>General Fund</b>        | <b>Non-Major Fund -<br/>CRA Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--------------------------------|----------------------------|--------------------------------------|-----------------------------------------|
| Nonspendable                   |                            |                                      |                                         |
| Inventory                      | \$ 8,713                   | \$ -                                 | \$ 8,713                                |
| Prepaid items                  | 22,744                     | -                                    | 22,744                                  |
| Total nonspendable             | <u>31,457</u>              | <u>-</u>                             | <u>31,457</u>                           |
| Restricted for                 |                            |                                      |                                         |
| Capital projects               | 512,343                    | -                                    | 512,343                                 |
| Law enforcement                | 44,080                     | -                                    | 44,080                                  |
| Debt service                   | 382,020                    | -                                    | 382,020                                 |
| Improvement districts          | -                          | 75,805                               | 75,805                                  |
| Total restricted               | <u>938,443</u>             | <u>75,805</u>                        | <u>1,014,248</u>                        |
| Assigned for                   |                            |                                      |                                         |
| FY 2019 appropriations         | 1,667,390                  | -                                    | 1,667,390                               |
| Salaries and insurance         | 630,000                    | -                                    | 630,000                                 |
| Capital projects and equipment | 775,000                    | -                                    | 775,000                                 |
| Other purposes                 | 33,741                     | -                                    | 33,741                                  |
| Total assigned                 | <u>3,106,131</u>           | <u>-</u>                             | <u>3,106,131</u>                        |
| Unassigned                     | <u>1,247,052</u>           | <u>-</u>                             | <u>1,247,052</u>                        |
|                                | <u><u>\$ 5,323,083</u></u> | <u><u>\$ 75,805</u></u>              | <u><u>\$ 5,398,888</u></u>              |

**15. COMMITMENTS AND CONTINGENCIES**

**Grants**

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

**CITY OF NICEVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**15. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**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 shares equally with the County all costs of capital expenditures, operations, major maintenance and repairs, and billing and collection services. The agreement, signed in October 2002, has an initial term of 20 years, which may be continued for additional ten year increments by mutual written consent of both parties.

**Joint Wastewater System Project**

In January 2017, the City entered into an interlocal agreement with Okaloosa County and the City of Valparaiso to fund an upgrade to the East Wastewater Transmission Main. The City paid \$357,000 during the fiscal year ended September 30, 2017, for its share of the project's costs. The City's remaining share of \$357,000 is payable upon completion of the project, which is expected to occur during the fiscal year ended September 30, 2019.

**16. CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF NET POSITION**

The GASB issued Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The scope of the statement addresses accounting and financial reporting for Other Postemployment Benefits (OPEB) that are provided by the employees of state and local government employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The impact of the City's adoption of GASB 75 during the current fiscal year requires it to restate beginning net position for the governmental activities in the City's government-wide financial statements.

The table below summarizes the components of the restatement of net position as of October 1, 2017:

|                                      | <b>Governmental<br/>Activities</b> | <b>Water and<br/>Sewer Fund</b> | <b>Sanitation<br/>Fund</b> | <b>Business-Type<br/>Activities</b> |
|--------------------------------------|------------------------------------|---------------------------------|----------------------------|-------------------------------------|
| Net position, as previously reported | \$ 16,524,091                      | \$ 36,112,002                   | \$ 1,614,276               | \$ 42,073,829                       |
| Effect of restatement                | (2,347,238)                        | (667,924)                       | (264,003)                  | (931,927)                           |
| Net position, restated               | <u>\$ 14,176,853</u>               | <u>\$ 35,444,078</u>            | <u>\$ 1,350,273</u>        | <u>\$ 41,141,902</u>                |

**17. SUBSEQUENT EVENTS**

**Fire Protection Services Agreement**

In February 2019, the City executed an interlocal agreement with the City of Valparaiso to enhance fire protection services in both jurisdictions. The agreement allows for the sharing of personnel and facilities to provide mutual aid for fire protection and emergency services to residents of both municipalities. The agreement has no end date but may be amended from time to time upon the mutual agreement of both municipalities.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

|                                                                                                                 | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  |
|-----------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability (asset)                                                          | 0.024789488% | 0.023997376% | 0.022901996% | 0.021050316% | 0.020333011% |
| City's proportionate share of the net pension liability (asset)                                                 | \$ 7,466,722 | \$ 7,098,263 | \$ 5,782,772 | \$ 2,718,932 | \$ 1,240,613 |
| City's covered-employee payroll                                                                                 | \$ 7,040,335 | \$ 6,536,239 | \$ 6,199,965 | \$ 5,942,512 | \$ 5,500,317 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 106.06%      | 108.60%      | 93.27%       | 45.75%       | 22.56%       |
| Plan fiduciary net position as a percentage of the total pension liability                                      | 84.26%       | 83.89%       | 84.88%       | 92.00%       | 96.09%       |

\*The amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

\*\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

|                                                                                                                        | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  |
|------------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion to the net pension liability<br>(assets)                                                             | 0.020670426% | 0.019900400% | 0.019153650% | 0.018456270% | 0.018096095% |
| City's proportionate share of the net pension<br>liability (asset)                                                     | \$ 2,187,781 | \$ 2,127,843 | \$ 2,232,279 | \$ 1,882,250 | \$ 1,882,249 |
| City's covered-employee payroll                                                                                        | \$ 7,040,335 | \$ 6,536,239 | \$ 6,199,965 | \$ 5,942,512 | \$ 5,500,317 |
| City's proportionate share of the net pension<br>liability (asset) as a percentage of its covered-<br>employee payroll | 31.07%       | 32.55%       | 36.00%       | 31.67%       | 34.22%       |
| Plan fiduciary net position as a percentage of the<br>total pension liability                                          | 2.15%        | 1.64%        | 0.97%        | 0.50%        | 0.99%        |

\*The amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

\*\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

|                                                                      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 706,480       | \$ 624,711       | \$ 558,502       | \$ 513,225       | \$ 445,379       |
| Contributions in relation to the contractually required contribution | <u>(706,480)</u> | <u>(624,711)</u> | <u>(558,502)</u> | <u>(513,225)</u> | <u>(445,379)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| City's covered-employee payroll                                      | \$ 7,040,335     | \$ 6,536,239     | \$ 6,199,965     | \$ 5,942,512     | \$ 5,500,317     |
| Contributions as a percentage of covered-employee payroll            | 10.03%           | 9.56%            | 9.01%            | 8.64%            | 8.10%            |

\*The amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

\*\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

|                                                                         | <u>2018</u>      | <u>2017</u>      | <u>2016</u>     | <u>2015</u>     | <u>2014</u>     |
|-------------------------------------------------------------------------|------------------|------------------|-----------------|-----------------|-----------------|
| Contractually required contribution                                     | \$ 112,096       | \$ 105,319       | \$ 98,175       | \$ 70,551       | \$ 61,991       |
| Contributions in relation to the contractually<br>required contribution | <u>(112,096)</u> | <u>(105,319)</u> | <u>(98,175)</u> | <u>(70,551)</u> | <u>(61,991)</u> |
| Contribution deficiency (excess)                                        | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>     | <u>\$ -</u>     | <u>\$ -</u>     |
| City's covered-employee payroll                                         | \$ 7,040,335     | \$ 6,536,239     | \$ 6,199,965    | \$ 5,942,512    | \$ 5,500,317    |
| Contributions as a percentage of covered<br>employee payroll            | 1.59%            | 1.61%            | 1.58%           | 1.19%           | 1.13%           |

\*The amounts presented for each fiscal year were determined as of 6/30. Information prior to 2014 is not available.

\*\*This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF NICEVILLE, FLORIDA**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

|                                                                     | <b>2018</b>         |
|---------------------------------------------------------------------|---------------------|
| Total OPEB Liability                                                |                     |
| Service cost                                                        | \$ 63,444           |
| Interest                                                            | 120,185             |
| Changes of benefits terms                                           | -                   |
| Difference between expected<br>and actual experience                | (46,702)            |
| Changes in assumptions and<br>other inputs                          | (249,503)           |
| Benefit payments                                                    | (63,323)            |
| Net change in total OPEB liability                                  | (175,899)           |
| Total OPEB liability – beginning                                    | 3,279,165           |
| Total OPEB liability – ending                                       | <u>\$ 3,103,266</u> |
| Covered Employee Payroll                                            | \$ 6,065,961        |
| Total OPEB liability as a percentage of<br>covered employee payroll | 51.16%              |

\* The discount rate increased from 3.63% to 4.18% for the 9/30/2018 measurement date.

\*\*This schedule is intended to show information for ten years. Additional years will be displayed as data becomes available.

## **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 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  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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|                               | <b>Balances<br/>October 1,<br/>2017</b> | <b>Additions</b> | <b>Deletions</b> | <b>Balances<br/>September 30,<br/>2018</b> |
|-------------------------------|-----------------------------------------|------------------|------------------|--------------------------------------------|
| <b>Assets</b>                 |                                         |                  |                  |                                            |
| Cash and cash equivalents     | \$ 379,648                              | \$ 846           | \$ -             | \$ 380,494                                 |
| Other receivables             | -                                       | 539              | -                | 539                                        |
|                               | <u>\$ 379,648</u>                       | <u>\$ 1,385</u>  | <u>\$ -</u>      | <u>\$ 381,033</u>                          |
| <b>Liabilities</b>            |                                         |                  |                  |                                            |
| Due to scholarship recipients | \$ 379,648                              | \$ 1,385         | \$ -             | \$ 381,033                                 |
| Total liabilities             | <u>\$ 379,648</u>                       | <u>\$ 1,385</u>  | <u>\$ -</u>      | <u>\$ 381,033</u>                          |

### **III. STATISTICAL SECTION (UNAUDITED)**

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 say 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 and annual financial reports for the relevant year.*

## FINANCIAL TRENDS - TABLE 1

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

|                                             | 2009                 | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities                     |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 12,338,507        | \$ 11,973,404        | \$ 12,180,124        | \$ 11,784,102        | \$ 12,275,357        | \$ 14,074,830        | \$ 13,903,053        | \$ 14,363,252        | \$ 15,207,976        | \$ 15,728,306        |
| Restricted                                  | 1,347,899            | 1,110,010            | 841,612              | 1,178,772            | 1,201,788            | 1,152,851            | 1,062,837            | 1,064,769            | 684,754              | 1,014,248            |
| Unrestricted                                | 2,476,404            | 3,945,681            | 4,085,883            | 4,204,645            | 4,150,172            | 4,190,750            | 1,219,064            | 678,378              | 631,361              | (3,518,005)          |
| Total governmental activities net position  | <u>\$ 16,162,810</u> | <u>\$ 17,029,095</u> | <u>\$ 17,107,619</u> | <u>\$ 17,167,519</u> | <u>\$ 17,627,317</u> | <u>\$ 19,418,431</u> | <u>\$ 16,184,954</u> | <u>\$ 16,106,399</u> | <u>\$ 16,524,091</u> | <u>\$ 13,224,549</u> |
| Business-type activities                    |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 12,562,218        | \$ 13,508,654        | \$ 14,958,258        | \$ 12,324,428        | \$ 13,870,612        | \$ 16,027,076        | \$ 17,295,135        | \$ 16,180,483        | \$ 17,605,104        | \$ 19,189,187        |
| Restricted                                  | 7,274,463            | 5,865,385            | 7,317,567            | 11,822,494           | 8,136,742            | 6,638,645            | 7,306,340            | 7,224,183            | 7,411,130            | 6,114,007            |
| Unrestricted                                | 6,654,427            | 8,828,818            | 8,249,906            | 9,147,017            | 13,397,377           | 14,631,975           | 14,103,277           | 17,027,172           | 17,057,595           | 18,509,566           |
| Total business-type activities net position | <u>\$ 26,491,108</u> | <u>\$ 28,202,857</u> | <u>\$ 30,525,731</u> | <u>\$ 33,293,939</u> | <u>\$ 35,404,731</u> | <u>\$ 37,297,696</u> | <u>\$ 38,704,752</u> | <u>\$ 40,431,838</u> | <u>\$ 42,073,829</u> | <u>\$ 43,812,760</u> |
| Primary government                          |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 24,900,725        | \$ 25,482,058        | \$ 27,138,382        | \$ 24,108,530        | \$ 26,145,969        | \$ 30,101,906        | \$ 31,198,188        | \$ 30,543,735        | \$ 32,813,080        | \$ 34,917,493        |
| Restricted                                  | 8,622,362            | 6,975,395            | 8,159,179            | 13,001,266           | 9,338,530            | 7,791,496            | 8,369,177            | 8,288,952            | 8,095,884            | 7,128,255            |
| Unrestricted                                | 9,130,831            | 12,774,499           | 12,335,789           | 13,351,662           | 17,547,549           | 18,822,725           | 15,322,341           | 17,705,550           | 17,688,956           | 14,991,561           |
| Total primary government net position       | <u>\$ 42,653,918</u> | <u>\$ 45,231,952</u> | <u>\$ 47,633,350</u> | <u>\$ 50,461,458</u> | <u>\$ 53,032,048</u> | <u>\$ 56,716,127</u> | <u>\$ 54,889,706</u> | <u>\$ 56,538,237</u> | <u>\$ 58,597,920</u> | <u>\$ 57,037,309</u> |

## NOTES:

The City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the fiscal year ended 09/30/2015.

The City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended 09/30/2018.

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

|                                                 | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | 2018          |
|-------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Expenses</b>                                 |               |               |               |               |               |               |               |               |               |               |
| Governmental activities                         |               |               |               |               |               |               |               |               |               |               |
| General government                              | \$ 3,349,726  | \$ 3,294,461  | \$ 3,077,475  | \$ 3,413,092  | \$ 3,020,065  | \$ 2,347,852  | \$ 2,610,657  | \$ 2,774,741  | \$ 2,755,195  | \$ 2,992,962  |
| Public safety                                   | 2,916,035     | 2,711,006     | 2,673,711     | 2,806,190     | 2,978,101     | 3,158,636     | 3,344,371     | 3,726,238     | 4,220,756     | 4,775,056     |
| Transportation                                  | 458,976       | 413,470       | 395,119       | 446,485       | 808,823       | 880,325       | 856,698       | 922,304       | 968,948       | 1,059,251     |
| Internal services                               | -             | -             | -             | -             | -             | 632,591       | 622,187       | 692,131       | 713,115       | 782,061       |
| Economic environment                            | -             | -             | -             | -             | -             | -             | -             | -             | 22,172        | 405,888       |
| Human services                                  | 50,465        | 50,315        | 50,540        | 50,540        | 50,315        | 56,000        | 82,245        | 57,256        | 56,000        | 56,000        |
| Culture and recreation                          | 2,305,489     | 2,247,876     | 2,321,253     | 2,296,560     | 2,370,249     | 2,294,223     | 2,377,996     | 2,721,034     | 2,840,973     | 3,032,663     |
| Debt service interest                           | 118,754       | 108,775       | 96,393        | 72,860        | 42,669        | 35,652        | 37,267        | 28,010        | 54,238        | 39,421        |
| Total governmental activities expenses          | 9,199,445     | 8,825,903     | 8,614,491     | 9,085,727     | 9,270,222     | 9,405,279     | 9,931,421     | 10,921,714    | 11,631,397    | 13,143,302    |
| Business-type activities                        |               |               |               |               |               |               |               |               |               |               |
| Water and sewer                                 | 5,525,551     | 5,703,301     | 5,585,105     | 5,747,117     | 6,032,848     | 6,165,016     | 6,318,745     | 6,489,807     | 6,790,575     | 7,162,548     |
| Sanitation                                      | 2,475,747     | 2,381,779     | 2,500,894     | 2,578,749     | 2,697,627     | 2,583,986     | 2,597,089     | 2,743,219     | 2,855,930     | 3,007,267     |
| Stormwater utility - Non-Major Fund             | 147,554       | 233,647       | 192,640       | 344,731       | 253,213       | 328,466       | 299,143       | 366,884       | 345,807       | 341,481       |
| Total business-type activities expenses         | 8,148,852     | 8,318,727     | 8,278,639     | 8,670,597     | 8,983,688     | 9,077,468     | 9,214,977     | 9,599,910     | 9,992,312     | 10,511,296    |
| Total primary government expenses               | \$ 17,348,297 | \$ 17,144,630 | \$ 16,893,130 | \$ 17,756,324 | \$ 18,253,910 | \$ 18,482,747 | \$ 19,146,398 | \$ 20,521,624 | \$ 21,623,709 | \$ 23,654,598 |
| Niceville-Valparaiso Regional Sewer Board, Inc. |               |               |               | \$ 1,604,853  | \$ 1,614,148  | \$ 1,772,274  | \$ 2,091,837  | \$ 2,215,150  | \$ 2,555,198  | \$ 2,577,585  |
| <b>Program Revenues</b>                         |               |               |               |               |               |               |               |               |               |               |
| Governmental activities                         |               |               |               |               |               |               |               |               |               |               |
| Charges for services                            |               |               |               |               |               |               |               |               |               |               |
| General government                              | \$ 3,118,414  | \$ 1,916,363  | \$ 1,926,069  | \$ 1,786,272  | \$ 1,791,966  | \$ 1,754,970  | \$ 2,236,981  | \$ 2,132,294  | \$ 2,028,024  | \$ 401,379    |
| Public safety                                   | 119,884       | 154,755       | 172,630       | 212,032       | 287,408       | 200,564       | 232,715       | 256,596       | 241,625       | 275,395       |
| Transportation                                  | 54,143        | 83,251        | 54,629        | 71,734        | 60,701        | 102,026       | 74,479        | 75,568        | 89,451        | 90,603        |
| Culture and recreation                          | 205,976       | 167,764       | 115,757       | 117,859       | 133,293       | 206,116       | 273,401       | 223,676       | 218,934       | 149,984       |
| Operating grants and contributions              | 240,072       | 886,097       | 124,451       | 591,789       | 310,927       | 1,761,970     | 144,844       | 133,972       | 140,988       | 583,486       |
| Capital grants and contributions                | 3,987         | 262,832       | 46,012        | -             | 238,313       | -             | -             | 42,132        | 609,616       | 181,452       |
| Total governmental activities program revenues  | 3,742,476     | 3,471,062     | 2,439,548     | 2,779,686     | 2,822,608     | 4,025,646     | 2,962,420     | 2,864,238     | 3,328,638     | 1,682,299     |
| Business-type activities                        |               |               |               |               |               |               |               |               |               |               |
| Charges for services                            |               |               |               |               |               |               |               |               |               |               |
| Water and sewer                                 | 5,671,221     | 5,711,276     | 6,629,807     | 6,450,006     | 6,594,914     | 6,710,773     | 7,401,523     | 7,409,423     | 7,923,941     | 8,107,712     |
| Sanitation                                      | 2,694,364     | 2,712,484     | 2,673,947     | 2,717,902     | 2,794,023     | 2,828,505     | 2,830,023     | 2,877,603     | 2,944,689     | 3,047,638     |
| Stormwater utility management                   | 382,421       | 387,020       | 413,062       | 425,818       | 444,198       | 453,029       | 465,594       | 470,757       | 475,500       | 481,849       |
| Operating grants and contributions              | -             | 134,450       | -             | -             | -             | -             | -             | 26,000        | -             | -             |
| Capital grants and contributions                | 183,932       | 584,798       | 669,740       | 756,433       | 1,099,710     | 860,527       | 965,859       | 882,622       | 813,541       | 1,781,570     |
| Total business-type activities program revenues | 8,931,938     | 9,530,028     | 10,386,556    | 10,350,159    | 10,932,853    | 10,852,834    | 11,662,999    | 11,666,405    | 12,157,671    | 13,418,769    |
| Total primary government program revenues       | \$ 12,674,414 | \$ 13,001,090 | \$ 12,826,104 | \$ 13,129,845 | \$ 13,755,461 | \$ 14,878,480 | \$ 14,625,419 | \$ 14,530,643 | \$ 15,486,309 | \$ 15,101,068 |
| Component Unit:                                 |               |               |               |               |               |               |               |               |               |               |
| Niceville-Valparaiso Regional Sewer Board, Inc. |               |               |               |               | \$ 1,885,623  | \$ 5,893,094  | \$ 2,936,250  | \$ 3,033,767  | \$ 2,145,182  | \$ 2,681,981  |

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

|                                                                     | 2009                  | 2010                  | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  | 2016                  | 2017                  | 2018                  |
|---------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net (Expenses) Revenues</b>                                      |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities                                             | \$ (5,456,969)        | \$ (5,354,841)        | \$ (6,174,943)        | \$ (6,306,041)        | \$ (6,447,614)        | \$ (5,379,633)        | \$ (6,969,001)        | \$ (8,057,476)        | \$ (8,302,759)        | \$ (11,461,003)       |
| Business-type activities                                            | 783,086               | 1,211,301             | 2,107,917             | 1,679,562             | 1,949,165             | 1,775,366             | 2,448,022             | 2,066,495             | 2,165,359             | 2,907,473             |
| Total primary government net expense                                | <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> | <u>\$ (5,990,981)</u> | <u>\$ (6,137,400)</u> | <u>\$ (8,553,530)</u> |
| Component Unit:                                                     |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Niceville-Valparaiso Regional Sewer Board, Inc.                     | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ 280,770</u>     | <u>\$ 4,278,946</u>   | <u>\$ 1,163,976</u>   | <u>\$ 844,413</u>     | <u>\$ 818,617</u>     | <u>\$ (410,016)</u>   | <u>\$ 104,396</u>     |
| <b>General Revenues and Other Changes in Net Position</b>           |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities                                             |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Taxes                                                               |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Property taxes                                                      | \$ 2,582,847          | \$ 2,622,000          | \$ 2,644,601          | \$ 2,662,471          | \$ 2,780,076          | \$ 2,911,635          | \$ 3,099,280          | \$ 3,313,938          | \$ 3,485,119          | \$ 3,694,760          |
| Utility service taxes                                               | 1,629,254             | 1,755,119             | 1,783,238             | 1,771,278             | 1,812,978             | 1,889,457             | 1,961,807             | 1,990,813             | 2,039,441             | 2,159,118             |
| Other taxes                                                         | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | 3,395,591             |
| Intergovernmental, unrestricted                                     | 1,519,115             | 1,517,382             | 1,617,858             | 1,696,042             | 1,759,660             | 1,875,288             | 1,991,998             | 2,093,101             | 2,207,084             | 588,797               |
| Gain (loss) on disposal of asset                                    | -                     | -                     | -                     | -                     | -                     | -                     | -                     | (89,387)              | -                     | -                     |
| Miscellaneous                                                       | 101,573               | 111,094               | 60,701                | 110,127               | 89,123                | 32,945                | 35,175                | 61,067                | 357,021               | 28,188                |
| Investment earnings                                                 | 116,902               | 75,531                | 47,069                | 26,023                | 25,575                | 21,422                | 18,644                | 19,389                | 31,786                | 42,245                |
| Transfers                                                           | 323,193               | 140,000               | 100,000               | 100,000               | 440,000               | 440,000               | 260,000               | 590,000               | 600,000               | 600,000               |
| Total governmental activities                                       | <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>      | <u>7,978,921</u>      | <u>8,720,451</u>      | <u>10,508,699</u>     |
| Business-type activities                                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Miscellaneous                                                       | 91,951                | 107,315               | 159,992               | 129,523               | 179,934               | 172,072               | 194,079               | 189,675               | 204,673               | 200,471               |
| Equity earnings in joint venture                                    | -                     | 380,079               | 101,436               | 233,285               | 388,678               | 353,962               | 498,401               | 35,030                | (191,900)             | 94,973                |
| Contribution other govt-equity in joint venture                     | -                     | 380,079               | 101,436               | 787,280               | -                     | -                     | -                     | -                     | -                     | -                     |
| Gain (loss) on disposal of asset                                    | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Investment earnings                                                 | 277,798               | 153,054               | 53,529                | 38,558                | 33,015                | 28,565                | 38,314                | 25,886                | 63,859                | 67,941                |
| Transfers                                                           | (323,193)             | (140,000)             | (100,000)             | (100,000)             | (440,000)             | (440,000)             | (260,000)             | (590,000)             | (600,000)             | (600,000)             |
| Total business-type activities                                      | <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>        | <u>(339,409)</u>      | <u>(523,368)</u>      | <u>(236,615)</u>      |
| Total primary government                                            | <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>   | <u>\$ 7,639,512</u>   | <u>\$ 8,197,083</u>   | <u>\$ 10,272,084</u>  |
| Niceville-Valparaiso Regional Sewer Board, Inc.                     |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Miscellaneous                                                       |                       |                       |                       | \$ 7,740              | \$ 7,740              | \$ 7,740              | \$ 7,740              | \$ 8,563              | \$ 162,506            | \$ 2,597              |
| Investment earnings                                                 |                       |                       |                       | 3,096                 | 2,451                 | 6,469                 | 6,549                 | 7,388                 | 7,635                 | 11,721                |
| Total component unit                                                | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ 10,836.00</u>   | <u>\$ 10,191</u>      | <u>\$ 14,209</u>      | <u>\$ 14,289</u>      | <u>\$ 15,951</u>      | <u>\$ 170,141</u>     | <u>\$ 14,318</u>      |
| <b>Change in Net Position</b>                                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities                                             | \$ 815,915            | \$ 866,285            | \$ 78,524             | \$ 59,900             | \$ 459,798            | \$ 1,791,114          | \$ 397,903            | \$ (78,555)           | \$ 417,692            | \$ (952,304)          |
| Business-type activities                                            | 829,642               | 2,091,828             | 2,424,310             | 2,768,208             | 2,110,792             | 1,889,965             | 2,918,816             | 1,727,086             | 1,641,991             | 2,670,858             |
| Total primary government                                            | <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>   | <u>\$ 1,648,531</u>   | <u>\$ 2,059,683</u>   | <u>\$ 1,718,554</u>   |
| Niceville-Valparaiso Regional Sewer Board, Inc.<br>(component unit) | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ 291,606</u>     | <u>\$ 4,289,137</u>   | <u>\$ 1,178,185</u>   | <u>\$ 956,219</u>     | <u>\$ 834,568</u>     | <u>\$ (239,875)</u>   | <u>\$ 118,714</u>     |

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

|                                    | 2009                | 2010                | 2011*               | 2012                | 2013                | 2014                | 2015                | 2016                | 2017                | 2018                |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund                       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved                           | \$ 1,382,452        | \$ 1,135,229        | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Unreserved                         | 2,608,742           | 4,039,598           | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Nonspendable                       | -                   | -                   | 33,482              | 31,332              | 35,649              | 31,014              | 33,136              | 31,074              | 38,227              | 31,457              |
| Restricted                         | -                   | -                   | 841,612             | 1,178,772           | 1,201,788           | 1,152,851           | 1,062,837           | 1,064,769           | 684,754             | 938,443             |
| Assigned                           | -                   | -                   | 1,047,203           | 1,227,121           | 1,677,027           | 1,766,731           | 1,699,048           | 2,698,505           | 3,839,312           | 3,106,131           |
| Unassigned                         | -                   | -                   | 3,406,197           | 3,407,813           | 2,923,926           | 2,909,537           | 3,392,316           | 2,442,363           | 1,717,656           | 1,247,052           |
| Total General Fund                 | <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> | <u>\$ 6,236,711</u> | <u>\$ 6,279,949</u> | <u>\$ 5,323,083</u> |
| All other governmental funds       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Restricted                         | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ 17,942           | \$ 75,805           |
| Unassigned/Unreserved              | 250,620             | 264,355             | -                   | -                   | -                   | -                   | (16,454)            | (5,220)             | -                   | -                   |
| Total all other governmental funds | <u>\$ 250,620</u>   | <u>\$ 264,355</u>   | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ (16,454)</u>  | <u>\$ (5,220)</u>   | <u>\$ 17,942</u>    | <u>\$ 75,805</u>    |

\* GASB Statement No. 54 was adopted in 2011.

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

|                                                         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         |
|---------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenues</b>                                         |              |              |              |              |              |              |              |              |              |              |
| Taxes                                                   | \$ 3,963,949 | \$ 4,145,876 | \$ 4,214,532 | \$ 4,252,829 | \$ 4,392,496 | \$ 4,717,739 | \$ 5,018,650 | \$ 5,332,739 | \$ 5,556,765 | \$ 5,858,399 |
| Licenses, fees and permits                              | 1,281,782    | 1,356,038    | 1,390,147    | 1,324,796    | 1,333,336    | 1,432,316    | 1,541,487    | 1,589,181    | 1,475,460    | 1,585,374    |
| Intergovernmental                                       | 2,241,946    | 3,132,286    | 2,215,508    | 2,682,401    | 2,722,671    | 3,959,862    | 2,432,978    | 2,502,446    | 3,217,005    | 3,330,631    |
| Charges for services                                    | 503,227      | 580,273      | 598,464      | 575,712      | 622,706      | 523,554      | 626,246      | 749,793      | 746,501      | 646,977      |
| Fines                                                   | 80,670       | 65,083       | 66,593       | 73,740       | 104,113      | 58,791       | 58,323       | 54,123       | 62,782       | 62,794       |
| Miscellaneous                                           | 299,345      | 272,631      | 107,764      | 136,149      | 114,704      | 345,155      | 391,643      | 114,264      | 111,276      | 106,823      |
| Total revenues                                          | 8,370,919    | 9,552,187    | 8,593,008    | 9,045,627    | 9,290,026    | 11,037,417   | 10,069,327   | 10,342,546   | 11,169,789   | 11,590,998   |
| <b>Expenditures</b>                                     |              |              |              |              |              |              |              |              |              |              |
| General government                                      | 982,468      | 2,088,978    | 1,846,324    | 2,128,281    | 1,986,068    | 1,970,831    | 2,263,689    | 2,381,166    | 2,301,918    | 2,406,166    |
| Public safety                                           | 2,663,960    | 2,440,452    | 2,472,693    | 2,669,849    | 2,831,053    | 2,927,718    | 3,202,573    | 3,289,258    | 3,546,380    | 4,024,731    |
| Transportation                                          | 281,023      | 246,665      | 256,304      | 313,490      | 674,068      | 729,349      | 712,648      | 733,453      | 751,360      | 802,110      |
| Internal service                                        | 1,064,584    | 893,900      | 882,579      | 913,405      | 673,423      | 632,591      | 652,611      | 659,287      | 677,452      | 714,646      |
| Economic environment                                    | -            | -            | -            | -            | -            | -            | -            | -            | 22,172       | 405,888      |
| Human services                                          | 50,465       | 50,315       | 50,540       | 50,540       | 50,315       | 56,000       | 82,245       | 56,496       | 56,288       | 56,000       |
| Culture and recreation                                  | 2,139,294    | 1,987,135    | 2,069,018    | 2,050,449    | 2,139,485    | 2,045,393    | 2,179,723    | 2,352,862    | 2,392,237    | 2,545,122    |
| Capital outlay                                          | 434,287      | 413,599      | 708,775      | 430,209      | 1,008,443    | 2,647,021    | 475,283      | 1,933,106    | 2,079,639    | 1,541,904    |
| Debt service                                            |              |              |              |              |              |              |              |              |              |              |
| Principal                                               | 255,000      | 265,000      | 565,000      | -            | 331,150      | 411,119      | 412,538      | 445,300      | 620,421      | 554,013      |
| Interest                                                | 118,754      | 108,775      | 96,393       | 72,860       | 42,669       | 35,652       | 37,267       | 28,010       | 54,238       | 39,421       |
| Total expenditures                                      | 7,989,835    | 8,494,819    | 8,947,626    | 8,629,083    | 9,736,674    | 11,455,674   | 10,018,577   | 11,878,938   | 12,502,105   | 13,090,001   |
| Excess of revenues over (under) expenditures            | 381,084      | 1,057,368    | (354,618)    | 416,544      | (446,648)    | (418,257)    | 50,750       | (1,536,392)  | (1,332,316)  | (1,499,003)  |
| <b>Other Financing Sources (Uses)</b>                   |              |              |              |              |              |              |              |              |              |              |
| Proceeds from borrowing                                 | -            | -            | -            | -            | -            | -            | -            | 1,007,000    | 500,000      | -            |
| Proceeds from sale of capital                           | -            | -            | -            | -            | -            | -            | -            | -            | 298,716      | -            |
| Proceeds from refunding                                 | -            | -            | 2,468,930    | -            | -            | -            | -            | -            | -            | -            |
| Retirement of debt                                      | -            | -            | (2,325,000)  | -            | -            | -            | -            | -            | -            | -            |
| Transfers in                                            | 3,385,427    | 3,068,587    | 3,084,959    | 100,000      | 440,000      | 440,000      | 260,000      | 590,000      | 600,000      | 600,000      |
| Transfers out                                           | (2,768,494)  | (2,928,587)  | (2,984,959)  | -            | -            | -            | -            | -            | -            | -            |
| Total other financing sources (uses)                    | 616,933      | 140,000      | 243,930      | 100,000      | 440,000      | 440,000      | 260,000      | 1,597,000    | 1,398,716    | 600,000      |
| Net changes in fund balances                            | \$ 998,017   | \$ 1,197,368 | \$ (110,688) | \$ 516,544   | \$ (6,648)   | \$ 21,743    | \$ 310,750   | \$ 60,608    | \$ 66,400    | \$ (899,003) |
| Debt service as a percentage of noncapital expenditures | 4.95%        | 4.63%        | 8.03%        | 0.89%        | 4.28%        | 5.07%        | 4.71%        | 4.76%        | 6.47%        | 5.14%        |

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

| Fiscal<br>Year<br>Ended<br>September 30 | Real Property     |                              | Personal Property |                              | Total             |                              | Ratio of<br>Total Assessed<br>Value to Total<br>Estimated<br>Actual Value | Total<br>Direct<br>Tax Rate |
|-----------------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|---------------------------------------------------------------------------|-----------------------------|
|                                         | Assessed<br>Value | Estimated<br>Actual<br>Value | Assessed<br>Value | Estimated<br>Actual<br>Value | Assessed<br>Value | Estimated<br>Actual<br>Value |                                                                           |                             |
| 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     | \$ 51,232,548                | \$ 1,044,314,980  | \$ 1,200,962,227             | 0.87                                                                      | 3.650                       |
| 2012                                    | \$ 1,017,090,334  | \$ 1,169,653,884             | \$ 47,686,851     | \$ 54,839,879                | \$ 1,064,777,185  | \$ 1,224,493,763             | 0.87                                                                      | 3.700                       |
| 2013                                    | \$ 1,056,771,282  | \$ 1,215,286,974             | \$ 47,009,810     | \$ 54,061,282                | \$ 1,103,781,092  | \$ 1,269,348,256             | 0.87                                                                      | 3.700                       |
| 2014                                    | \$ 1,119,117,558  | \$ 1,286,985,191             | \$ 48,414,529     | \$ 55,676,709                | \$ 1,167,532,087  | \$ 1,342,661,900             | 0.87                                                                      | 3.700                       |
| 2015                                    | \$ 1,183,016,797  | \$ 1,360,469,316             | \$ 53,037,164     | \$ 60,992,739                | \$ 1,236,053,961  | \$ 1,421,462,055             | 0.87                                                                      | 3.700                       |
| 2016                                    | \$ 1,271,872,742  | \$ 1,462,653,653             | \$ 54,551,786     | \$ 62,734,854                | \$ 1,326,424,528  | \$ 1,525,388,507             | 0.87                                                                      | 3.700                       |
| 2017                                    | \$ 1,333,588,049  | \$ 1,568,927,116             | \$ 58,637,265     | \$ 67,432,855                | \$ 1,392,225,314  | \$ 1,636,359,971             | 0.85                                                                      | 3.700                       |
| 2018                                    | \$ 1,416,710,908  | \$ 1,666,718,715             | \$ 59,362,206     | \$ 69,837,889                | \$ 1,476,073,114  | \$ 1,736,556,604             | 0.85                                                                      | 3.700                       |

**Source:** Okaloosa County Property Appraiser's Office

**CITY OF NICEVILLE, FLORIDA  
PROPERTY TAX LEVIES AND COLLECTIONS  
(UNAUDITED)  
LAST TEN FISCAL YEARS**

| <b>Fiscal<br/>Year Ended<br/>September 30</b> | <b>Taxes Levied<br/>for the<br/>Fiscal Year</b> | <b>Collected within the<br/>Fiscal Year of the Levy</b> |                               | <b>Collections<br/>in Subsequent<br/>Years</b> | <b>Total Collections to Date</b> |                               |
|-----------------------------------------------|-------------------------------------------------|---------------------------------------------------------|-------------------------------|------------------------------------------------|----------------------------------|-------------------------------|
|                                               |                                                 | <b>Amount</b>                                           | <b>Percentage<br/>of Levy</b> |                                                | <b>Amount</b>                    | <b>Percentage<br/>of Levy</b> |
| 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%                        |
| 2016                                          | \$ 3,444,685                                    | \$ 3,149,847                                            | 91.44%                        | 2,788                                          | \$ 3,152,635                     | 91.52%                        |
| 2017                                          | \$ 3,633,823                                    | \$ 3,322,098                                            | 91.42%                        | 1,845                                          | \$ 3,323,943                     | 91.47%                        |
| 2018                                          | \$ 3,844,628                                    | \$ 3,504,748                                            | 91.16%                        | 1,009                                          | \$ 3,505,757                     | 91.19%                        |

**Source:** Okaloosa County Tax Collector

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

| <b>Fiscal<br/>Year</b> | <b>City Direct Rates</b>     |                                     |                         | <b>Overlapping Rates**</b> |                            |
|------------------------|------------------------------|-------------------------------------|-------------------------|----------------------------|----------------------------|
|                        | <b>Operating<br/>Millage</b> | <b>Debt<br/>Service<br/>Millage</b> | <b>Total<br/>Direct</b> | <b>Okaloosa<br/>County</b> | <b>School<br/>District</b> |
| 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                     |
| 2016                   | 3.7000                       | -                                   | 3.7000                  | 3.4308                     | 6.9070                     |
| 2017                   | 3.7000                       | -                                   | 3.7000                  | 3.8308                     | 6.5880                     |
| 2018                   | 3.7000                       | -                                   | 3.7000                  | 3.8308                     | 6.3610                     |

**Source:** Okaloosa County Property Appraiser's Office

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

**CITY OF NICEVILLE, FLORIDA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF SEPTEMBER 30, 2017**

| <u>Governmental Unit</u>                       | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>City Share of<br/>Overlapping<br/>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 | 156,366                     | 100%                                           | 156,366                                       |
| Gas tax revenue refunding bonds, Series 2011   | 221,928                     | 100%                                           | 221,928                                       |
| Capital leases                                 | 1,107,719                   | 100%                                           | 1,107,719                                     |
| Subtotal Direct Debt                           | <u>1,486,013</u>            |                                                | <u>1,486,013</u>                              |
| Total Direct and Overlapping Debt              | <u>\$ 43,134,013</u>        |                                                | <u>\$ 5,982,013</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**

| 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 | Water and Sewer Revenue Bonds | State Revolving Loans | Notes Payables | Capital Leases Payable |                          |                               |                 |
| 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              | \$ 140,381            | \$ 11,829,650                 | \$ 3,845,614          | \$ -           | \$ 1,094,000           | \$ 18,364,408            | 2.32%                         | \$ 1,380        |
| 2016        | \$ -                    | \$ -                  | \$ 451,766                | \$ 651,771              | \$ 1,053,307          | \$ 10,853,546                 | \$ 3,735,602          | \$ -           | \$ 967,000             | \$ 17,712,992            | 2.55%                         | \$ 1,313        |
| 2017        | \$ -                    | \$ -                  | \$ 237,581                | \$ 437,586              | \$ 1,293,488          | \$ 9,845,002                  | \$ 3,619,989          | \$ -           | \$ 837,000             | \$ 16,270,646            | 2.95%                         | \$ 1,162        |
| 2018        | \$ -                    | \$ -                  | \$ 156,366                | \$ 221,928              | \$ 1,104,115          | \$ 8,754,313                  | \$ 3,501,076          | \$ -           | \$ 704,000             | \$ 14,441,798            | 3.26%                         | \$ 995          |

**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  
PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

| Fiscal<br>Year | Water and<br>Sewer<br>Utility<br>Charges | Less<br>Operating<br>Expenses | Net<br>Available<br>Revenue | Water and Sewer Revenue<br>Bonds |            | State Revolving Loans |            | Notes Payable |           | Capital Leases |           | Total    |
|----------------|------------------------------------------|-------------------------------|-----------------------------|----------------------------------|------------|-----------------------|------------|---------------|-----------|----------------|-----------|----------|
|                |                                          |                               |                             | Debt Service                     |            | Debt Service          |            | Debt Service  |           | Principal      | Interest  | Coverage |
|                |                                          |                               |                             | Principal                        | Interest   | Principal             | Interest   | Principal     | Interest  |                |           |          |
| 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     |
| 2016           | \$ 7,435,423                             | \$ 4,654,905                  | \$ 2,780,518                | \$ 658,559                       | \$ 266,071 | \$ 110,012            | \$ 100,068 | \$ -          | \$ -      | \$ 127,000     | \$ 18,240 | 2.17     |
| 2017           | \$ 7,923,941                             | \$ 4,833,977                  | \$ 3,089,964                | \$ 706,176                       | \$ 252,473 | \$ 115,613            | \$ 97,255  | \$ -          | \$ -      | \$ 130,000     | \$ 15,965 | 2.35     |
| 2018           | \$ 8,107,712                             | \$ 5,236,514                  | \$ 2,871,198                | \$ 721,523                       | \$ 238,178 | \$ 118,914            | \$ 94,363  | \$ -          | \$ -      | \$ 133,000     | \$ 13,638 | 2.18     |

**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.

**CITY OF NICEVILLE, FLORIDA  
PRINCIPAL PROPERTY TAXPAYERS  
(UNAUDITED)**

|                                                 | 2018                         |      |                                                             | 2009                         |      |                                                             |
|-------------------------------------------------|------------------------------|------|-------------------------------------------------------------|------------------------------|------|-------------------------------------------------------------|
|                                                 | Taxable<br>Assessed<br>Value | Rank | Percentage<br>of Total City<br>Taxable<br>Assessed<br>Value | Taxable<br>Assessed<br>Value | Rank | Percentage<br>of Total City<br>Taxable<br>Assessed<br>Value |
| <b><u>Taxpayer</u></b>                          |                              |      |                                                             |                              |      |                                                             |
| Valparaiso Realty                               | \$ 19,681,716                | 1    | 1.74%                                                       | \$ 22,934,664                | 1    | 2.07%                                                       |
| Ruckel Properties                               | 9,787,945                    | 2    | 0.89%                                                       | 12,621,062                   | 2    | 1.14%                                                       |
| Gulf Power Company                              | 9,265,525                    | 3    | 0.87%                                                       | 6,612,460                    | 4    | 0.60%                                                       |
| Sunbelt Rentals #268                            | 7,136,978                    | 4    | 0.59%                                                       | 3,377,754                    | 10   | 0.31%                                                       |
| Wal-Mart Stores East LP                         | 5,759,551                    | 5    | 0.56%                                                       |                              |      |                                                             |
| HCA                                             | 5,493,106                    | 6    | 0.55%                                                       | 5,633,320                    | 7    | 0.64%                                                       |
| VRC Crossings Rocky Bayou LLC                   | 5,189,713                    | 7    | 0.48%                                                       |                              |      |                                                             |
| Twin Cities Hospital                            | 5,124,100                    | 8    | 0.48%                                                       | 7,889,839                    | 3    | 0.71%                                                       |
| Sage Niceville Hospitality LLC                  | 4,970,466                    | 9    | 0.39%                                                       |                              |      |                                                             |
| Ruckel Properties, Inc.                         | 4,164,572                    | 10   | 0.39%                                                       | 5,587,379                    | 8    | 0.51%                                                       |
| Embarq Corporation                              |                              |      |                                                             | 6,246,051                    | 5    | 0.56%                                                       |
| Mill Creek Village, Inc.                        |                              |      |                                                             | 5,806,422                    | 6    | 0.53%                                                       |
| Spence Brothers Properties, Inc.                |                              |      |                                                             | 4,060,746                    | 9    | 0.37%                                                       |
| Total                                           | \$ 76,573,672                |      | 6.93%                                                       | \$ 80,769,697                |      | 7.20%                                                       |
| Total Taxable Assessed Value of Other Taxpayers | \$ 1,029,063,888             |      | 93.07%                                                      | \$ 1,040,323,740             |      | 92.80%                                                      |
| Total Taxable Assessed Value                    | \$ 1,105,637,560             |      | 100.00%                                                     | \$ 1,121,093,437             |      | 100.00%                                                     |

**Source:** Okaloosa County Property Appraiser's Office

DEMOGRAPHIC AND ECONOMIC INFORMATION - TABLE 12

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

| Year | Population | Personal<br>Income* | Per<br>Capita<br>Personal<br>Income | Education<br>Level in Years<br>of Schooling | School<br>Enrollment | Unemployment<br>Rate |
|------|------------|---------------------|-------------------------------------|---------------------------------------------|----------------------|----------------------|
| 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%                 |
| 2016 | 13,489     | \$ 450,924          | \$ 33,429                           | 14                                          | 18,001               | 4.1%                 |
| 2017 | 14,008     | \$ 480,054          | \$ 34,270                           | 16                                          | 16,453               | 2.8%                 |
| 2018 | 14,508     | \$ 470,523          | \$ 32,432                           | 16                                          | 18,057               | 2.3%                 |

\*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**

| <b><u>Function/Program</u></b>                      | <b><u>2009</u></b> | <b><u>2010</u></b> | <b><u>2011</u></b> | <b><u>2012</u></b> | <b><u>2013</u></b> | <b><u>2014</u></b> | <b><u>2015</u></b> | <b><u>2016</u></b> | <b><u>2017</u></b> | <b><u>2018</u></b> |
|-----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Police                                              |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Physical arrests                                    | 491                | 448                | 540                | 419                | 367                | 412                | 367                | 343                | 450                | 515                |
| Traffic violations                                  | 2,546              | 2,782              | 1,933              | 3,167              | 2,731              | 2,371              | 2,254              | 1,763              | 1,750              | 1,728              |
| Fire                                                |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Emergency responses                                 | 1,073              | 1,207              | 1,309              | 1,536              | 1,514              | 1,663              | 1,720              | 1,922              | 1,250              | 1,504              |
| Inspections                                         | 676                | 401                | 303                | 350                | 439                | 506                | 350                | 150                | 365                | 328                |
| Building                                            |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Permits issued                                      | 273                | 377                | 452                | 624                | 1,991              | 1,775              | 1,818              | 1,430              | 1,165              | 1,436              |
| Library                                             |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Volumes in collection                               | 66,656             | 70,933             | 69,100             | 71,266             | 73,294             | 74,370             | 77,144             | 76,069             | 78,867             | 199,488            |
| Water                                               |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| New connections                                     | 24                 | 62                 | 89                 | 124                | 148                | 123                | 128                | 104                | 96                 | 113                |
| Average daily consumption<br>(thousands of gallons) | 2,578              | 3,708              | 3,541              | 2,348              | 2,246              | 2,401              | 2,314              | 2,074              | 2,464              | 2,344              |

**Sources:** Various City departments.

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

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

| <b>Function/Program</b>      | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government           |             |             |             |             |             |             |             |             |             |             |
| Executive                    | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Financial and administrative | 6           | 6           | 6           | 5           | 6           | 7           | 7           | 7           | 7           | 10          |
| Planning                     | 1           | 1           | 1           | 0           | 0           | 0           | 0           | 0           | 1           | 1           |
| Building                     | 3           | 3           | 3           | 3           | 2           | 2           | 2           | 2           | 3           | 3           |
| Other                        | 7           | 7           | 8           | 8           | 10          | 9           | 8           | 10          | 7           | 5           |
| Public safety                |             |             |             |             |             |             |             |             |             |             |
| Police                       | 25          | 25          | 30          | 30          | 29          | 32          | 32          | 32          | 31          | 51          |
| Fire                         | 6           | 6           | 11          | 11          | 11          | 13          | 16          | 16          | 16          | 26          |
| Physical environment         |             |             |             |             |             |             |             |             |             |             |
| Other public works           | 12          | 12          | 15          | 14          | 10          | 10          | 15          | 14          | 14          | 14          |
| Transportation               | 5           | 5           | 5           | 4           | 6           | 5           | 3           | 4           | 5           | 7           |
| Human services               | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| Culture and recreation       |             |             |             |             |             |             |             |             |             |             |
| Parks and recreation         | 17          | 17          | 17          | 17          | 17          | 18          | 20          | 20          | 23          | 34          |
| Library                      | 8           | 8           | 8           | 8           | 7           | 8           | 8           | 7           | 8           | 16          |
| Water                        | 16          | 16          | 16          | 16          | 16          | 17          | 18          | 19          | 17          | 24          |
| Sanitation                   | 9           | 9           | 10          | 10          | 9           | 9           | 11          | 11          | 10          | 13          |
| Other                        | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           |
| <b>Total</b>                 | <b>117</b>  | <b>117</b>  | <b>132</b>  | <b>128</b>  | <b>125</b>  | <b>132</b>  | <b>142</b>  | <b>144</b>  | <b>144</b>  | <b>206</b>  |

**Source:** City Budget Office

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

|                                         | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  |
|-----------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Function/Program</b>                 |       |       |       |       |       |       |       |       |       |       |
| Police                                  |       |       |       |       |       |       |       |       |       |       |
| Stations                                | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Patrol units                            | 20    | 19    | 19    | 24    | 22    | 25    | 25    | 25    | 23    | 30    |
| Fire stations                           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Other public works                      |       |       |       |       |       |       |       |       |       |       |
| Streets (miles)                         | 76.1  | 76.1  | 76.1  | 78.3  | 78.6  | 80.2  | 80.5  | 81.0  | 81.0  | 81.8  |
| Streetlights                            | 1,644 | 1,674 | 1,701 | 1,710 | 1,726 | 1,837 | 1,802 | 1,812 | 1,815 | 1,815 |
| Parks and recreation                    |       |       |       |       |       |       |       |       |       |       |
| Acreage                                 | 118.9 | 118.9 | 118.9 | 118.9 | 118.9 | 118.9 | 116.9 | 287.7 | 287.7 | 287.7 |
| Mini-parks                              | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4     | 4     |
| Neighborhood parks                      | 8     | 8     | 8     | 8     | 8     | 8     | 8     | 5     | 5     | 5     |
| Community parks                         | 12    | 12    | 12    | 12    | 12    | 12    | 12    | 7     | 7     | 7     |
| Other parks                             | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 17    | 17    | 17    |
| Water                                   |       |       |       |       |       |       |       |       |       |       |
| Water mains (miles)                     | 126   | 126   | 126   | 126   | 126   | 126   | 126   | 126   | 126   | 131   |
| Fire hydrants                           | 640   | 667   | 693   | 693   | 715   | 729   | 732   | 762   | 769   | 772   |
| Number of service connections           | 8,320 | 8,346 | 8,395 | 7,451 | 8,930 | 9,763 | 9,774 | 9,763 | 9,766 | 9,963 |
| Storage capacity (thousands of gallons) | 5,350 | 5,350 | 5,350 | 5,350 | 5,350 | 5,350 | 2,150 | 2,150 | 2,150 | 2,150 |
| Wastewater                              |       |       |       |       |       |       |       |       |       |       |
| Number of sanitary sewers               | 71    | 68    | 68    | 68    | 68    | 68    | 70    | 70    | 70    | 70    |
| Number of treatment plants              | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Number of service connections           | 7,022 | 7,029 | 7,271 | 7,640 | 7,687 | 7,919 | 8,032 | 8,115 | 8,115 | 8,286 |
| Storm sewers (miles)                    | 36.0  | 36.0  | 36.0  | 36.0  | 36.0  | 36.0  | 33    | 34.9  | 34.9  | 21.5  |

**Sources:** Various City departments

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

**CITY OF NICEVILLE, FLORIDA  
PRINCIPAL EMPLOYERS - CURRENT YEAR  
(UNAUDITED)**

| <u><b>Taxpayer</b></u>                        | <b>2018</b>             |                    |                                                  | <b>2009</b>                                                           |                    |                                                  |
|-----------------------------------------------|-------------------------|--------------------|--------------------------------------------------|-----------------------------------------------------------------------|--------------------|--------------------------------------------------|
|                                               | <u><b>Employees</b></u> | <u><b>Rank</b></u> | <u><b>Percentage of<br/>Total Employment</b></u> | <u><b>Employees</b></u>                                               | <u><b>Rank</b></u> | <u><b>Percentage of<br/>Total Employment</b></u> |
| Okaloosa County School District               | 5,070                   | 1                  | 5.20%                                            | This information was not available<br>at the time of CAFR completion. |                    |                                                  |
| Walmart (Okaloosa County Combined)            | 1,363                   | 2                  | 1.40%                                            |                                                                       |                    |                                                  |
| Fort Walton Beach Medical Center              | 1,222                   | 3                  | 1.25%                                            |                                                                       |                    |                                                  |
| Northwest Florida State College               | 1,081                   | 4                  | 1.11%                                            |                                                                       |                    |                                                  |
| Okaloosa County Board of County Commissioners | 936                     | 5                  | 0.96%                                            |                                                                       |                    |                                                  |
| Reliance Test and Technology                  | 750                     | 6                  | 0.77%                                            |                                                                       |                    |                                                  |
| North Okaloosa Medical Center                 | 652                     | 7                  | 0.67%                                            |                                                                       |                    |                                                  |
| BAE Systems                                   | 545                     | 8                  | 0.56%                                            |                                                                       |                    |                                                  |
| Boeing                                        | 500                     | 9                  | 0.51%                                            |                                                                       |                    |                                                  |
| White Wilson Medical Center                   | 474                     | 10                 | 0.49%                                            |                                                                       |                    |                                                  |
| Total                                         | <u>12,593</u>           |                    | <u>12.92%</u>                                    |                                                                       |                    |                                                  |
| Total County Employment                       | <u>97,445 *</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  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

| <b>Source</b>                                   | <b>Amount<br/>Received<br/>in the<br/>2017-2018<br/>Fiscal Year</b> | <b>Amount<br/>Expended<br/>in the<br/>2017-2018<br/>Fiscal Year</b> |
|-------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| Florida Department of Environmental Protection: |                                                                     |                                                                     |
| Florida Coastal Protection Trust Fund           | \$ -                                                                | \$ 239,246                                                          |

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF RECEIPTS AND  
EXPENDITURES OF FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL**

Honorable Mayor and City Council Members  
City of Niceville, Florida

We have audited the financial statements of the City of Niceville, Florida (the City) as of and for the year ended September 30, 2018, and have issued our report thereon dated April 23, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds related to the Deepwater Horizon Oil Spill on page 92 is presented for the purpose of additional analysis as required by Section 288.8018, Florida Statutes, and the *Rules of the Auditor General* Chapter 10.557(3)(f), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
April 23, 2019

**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's) compliance with the following requirements for the year ended September 30, 2018:

- 1) Section 218.415, Florida Statutes, in regards to investments, and
- 2) Section 218.8018, Florida Statutes, 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 of 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, 2018.

*Warren Averett, LLC*

Fort Walton Beach, Florida  
April 23, 2019

**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 (the City), as of and for the year ended September 30, 2018, 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 April 23, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2017-001 and 2018-002).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-001.

As required by the provisions of Chapter 10.550, *Rules of the Auditor General*, we have issued a separate management letter dated April 23, 2019, which should be considered in assessing the results of our audit.

**City of Niceville, Florida's Response to Findings**

The City of Niceville, Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

**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  
April 23, 2019

**CITY OF NICEVILLE, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
SEPTEMBER 30, 2018**

---

**2017-001 Capital Asset Reporting**

*Prior Year Comment Summarized*

Significant audit adjustments were proposed for capital assets due to the reconciliation discrepancies between the subsidiary ledger and the general ledger balances for capital asset related accounts.

*Status*

For the year ended September 30, 2018, the capital asset subsidiary ledger did not agree with the general ledger balances for all capital asset related accounts. In addition, we also noted multiple misstatements that were a result of the City's failure to properly record capital asset additions in accordance with its formal capitalization policy.

*Management's Response*

Management agrees with the prior year recommendation and will ensure the capital asset subsidiary ledger is reconciled to the general ledger during the fiscal year. In addition, management will review its existing formal capitalization policy and record capital asset additions in compliance with the policy.

**2018-001 Submission of Annual Financial Report**

*Criteria*

Pursuant to Section 218.32(1)(a), Florida Statutes, the City must file its annual financial report (AFR) with the Florida Department of Financial Services within 45 days of receipt of the annual audit report and no later than nine months after the end of the fiscal year.

*Condition*

The annual audit was completed on March 20, 2018. The AFR was filed with the Florida Department of Financial Services on July 24, 2018, which exceeded both the 45-day and the nine-month requirements.

*Cause*

City management did not timely file the AFR after completion and receipt of the audit.

*Effect*

The City is out of compliance with Section 218.32(1)(a), Florida Statutes, for the fiscal year ending September 30, 2018.

*Recommendation*

We recommend that the City ensure the AFR is filed timely after receipt of the annual audit report.

*Management's Response*

Management agrees with the recommendation and will ensure the AFR is submitted timely in the future.

**CITY OF NICEVILLE, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED  
SEPTEMBER 30, 2018**

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**2018-002 Grant Accrual Process**

*Criteria*

Pursuant to GASB Statement No. 33, recipients of expenditure-driven grants should recognize revenues as qualifying expenditures are incurred.

*Condition*

While performing our audit procedures for grants and related programs, we noted multiple instances in which revenues had not been accrued for expenditure-driven grants as qualifying expenditures were incurred.

*Cause*

The City does not have formal policies or procedures for grant related compliance and financial reporting activities.

*Effect*

Unadjusted grant revenues were understated by approximately \$386,500 for the fiscal year ended September 30, 2018.

*Recommendation*

We recommend that the City adopt formal policies and procedures for matching and reconciling expenditure-driven grant revenues with related qualifying expenditures.

*Management's Response*

Management agrees with the recommendation and will ensure that grant revenues are properly recorded for expenditure-driven grants.

## 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, 2018, and have issued our report thereon dated April 23, 2019.

### 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 Reporting Requirements

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 which are dated April 23, 2019, 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. The status of prior year audit findings can be found on schedule of findings and responses on the previous page.

### 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. City of Niceville included the Niceville-Valparaiso Regional Sewer Board as a component unit in the accompanying financial statements. Additional details regarding the City's relationship with the Niceville-Valparaiso Regional Sewer Board can be found in Note 1 to the financial statements.

**Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate 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.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City of Niceville. It is management's responsibility to monitor the City'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.

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.

**Additional Matters**

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 note any such findings.

**Purpose of this Letter**

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

*Warren Averett, LLC*

Fort Walton Beach, Florida

April 23, 2019