



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

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020**

CITY OF NICEVILLE, FLORIDA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2020**

Prepared By:
Finance Department
Dan Doucet
City Clerk

**CITY OF NICEVILLE, FLORIDA
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2020**

CITY COUNCIL 2019-2020

Cathy Alley

Carl Donahoo

Sal Nodjomian

Bill Schaetzle

Abner Williams

CITY OFFICIALS

Mayor

Daniel Henkel

City Manager

Lannie Corbin

City Clerk

Dan Doucet

City Attorney

Dixie D. Powell

Director of Public Works

Jonathan Laird

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Lannie L. Corbin
City Manager



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“Home of the Boggy Bayou Mullet Festival”

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

The comprehensive annual financial report of the City of Niceville, Florida for the fiscal year ended September 30, 2020, 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 207,115. The incorporated City of Niceville has a population of 14,976, while an estimated total of 34,000 people live in the entire Niceville area, which includes those living within Niceville City limits, plus people living in the nearby unincorporated areas within the 32578 zip code. 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. Fish commonly found in Choctawhatchee Bay include: 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 trails and facilities as well as excellent deer, turkey, duck, quail, and dove hunting.

There are three outstanding community golf courses. Eglin AFB 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, selling 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 Nation, which is celebrated locally each October during the “Boggy Bayou Mullet Festival” through 2019.

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 on November 5, 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. On May 25, 1939, House Bill 1302 was passed by the Florida Senate, establishing City of Niceville as a municipality.

NICEVILLE 2020 COVID-19 PANDEMIC RESPONSE AND OUTLOOK

The City of Niceville’s leadership, staff, and department managers have worked smartly and deliberately to minimize the negative impacts of the COVID-19 pandemic on our citizens, employees, and the services we provide. Mayor Henkel issued an emergency proclamation on March 23, 2020. The Niceville City Council, on March 30, 2020, passed Emergency Ordinance 20-03-02, declaring a State of Emergency within the City of Niceville due to the fast-spreading and potentially lethal COVID-19 virus. This emergency ordinance authorized the adoption of emergency regulations to address preparation, management, and mitigation of the COVID-19 virus, and authorized the City Manager to serve as Director of Emergency Management for the pandemic disaster. The Niceville City Council extended the State of Emergency Ordinance through the end of fiscal year 2020 and beyond.

The City Manager, Mr. Corbin, directed staff to prepare a City-wide plan and the City of Niceville Pandemic Strategic Emergency Response Plan was written and approved in the first weeks of the pandemic. This plan and a shorter summary document have delineated the City’s strategy to minimize or prevent negative impacts of the COVID-19 virus on the City. Mr. Corbin also created and regularly convened a team of senior managers and advisors who, as the City’s Emergency Operations Center Committee, met to discuss the changing conditions of the pandemic, and provide updates about how the City was coping with the challenges imposed by the potentially deadly virus.

By the end of fiscal year 2020, the pandemic was still an emergency being dealt with through compliance with written policies, including mask-wearing, selected temporary suspensions of customer service counters to avoid unnecessary close interaction, postponing or cancelling of large gatherings, and quarantining of employees when infected. The City Manager continues to ensure compliance with state and federal guidance for working through the pandemic and has kept safety at the forefront while maintaining outstanding service to Niceville residents as a priority.

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. Niceville is adjacent to Eglin Air Force Base (AFB), the world’s largest military reservation. Eglin AFB is Okaloosa County’s largest employer, providing many high-paying jobs in 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 AFB, 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 were built to handle the largest jets. Five airlines operate direct flights between the airport and 37 US cities, serving over 948 thousand passengers in 2020.

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 Research and Engineering Education Facility, where top engineers gain master’s or doctorate degrees in mechanical, aerospace, electrical, computer, or industrial systems engineering.

Attributes that make Niceville a wonderful place to live also make it a great place to do business. Hardworking, highly skilled, and educated people are available for employment. Niceville, the home of the annual Boggy Bayou Fireworks Show, was ranked first, as the best place to raise kids by Business Week Magazine in 2012, and as the best place to live by Smart Travel website in 2016. In addition, the active and retired military personnel who live in this area greatly stimulate the economy. Many residents have served our great nation all over the world and have chosen Niceville and Okaloosa County as the place they prefer to make their home. Following are some pertinent details concerning labor opportunities for industry and educational achievements of local schools.

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 358 two-year programs of study and seven baccalaureate degree programs offered.

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 60 percent of the County's population is between the prime working ages of 18 and 64 years old. Okaloosa County continues to experience steady growth with the most significant increase in the Niceville and Valparaiso area.

EDUCATIONAL ACHIEVEMENTS

During the 2019-2020 school year, as a precautionary measure to fight the COVID-19 pandemic, some local schools ended the semester early, not bringing students back after the spring break. When the 2020 fall semester began in August 2020, the Okaloosa County School District permitted both in-person and online instruction, with strict quarantine rules for faculty and students testing positive for the virus. These measures have continued through the end of fiscal year 2020 and beyond.

Niceville schools are considered among the best in the high performing Okaloosa County School District. Niceville High School (NHS) is consistently at the top when it comes to academics, athletics and extracurricular activities. Seniors have earned in excess of \$10 million dollars in scholarships in recent years. Recognized throughout this state and nation, Niceville High School's reputation as a formidable foe continues to strengthen in academic and athletic competitions. NHS has a robust sports program with strong participation and excellent coaching. During fiscal year 2020 two sports teams, cheerleading and boys' soccer won the state championship.

NHS administration, along with a staff of approximately 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, one of only 13 in the nation to earn that honor. NHS was 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, Reserve Officers' Training Corps (ROTC), Science, and Social Studies. It offers 21 Advanced Placement courses as well as ten courses through the Academic International Certificate of Education (AICE) Program, from the University of Cambridge in Cambridge, England. In 2019, the College Board designated 193 NHS students as Advanced Placement (AP) Scholars in recognition of their exceptional achievement on the college-level AP-program exams. In addition, the National Hispanic Recognition Program (NHRP) honored students for their excellence in academic achievement.

Niceville High School Chorus has Niceville's more select vocal music ensemble, called Opus One. Annually, Opus One performs at the United States Air Force Armament Museum for the Missing-in-Action/Prisoner-of-War (MIA/POW) remembrance ceremony. NHS 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 (ISP). 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 to learn more about Niceville High School.

The Collegiate High School, (CHS), located on the main Niceville campus of Northwest Florida State College (NWFSC), routinely ranks among the best high schools in the State of Florida. CHS opened in 2000 as a fully accredited school receiving accreditation from the Southern Association of Colleges and Schools, and AdvancED, which is an international non-profit, non-governmental primary and secondary school-accrediting organization. CHS has consistently ranked in the top five high schools in Florida on the Department of Education (DOE) school accountability report. CHS is free of charge to students. This includes free tuition and fees, free college and high school textbooks, and free tutoring. The school was awarded distinction by the U.S. DOE as a 2013 National Blue-Ribbon School. The school has an enrollment of approximately 288 students in grades 10, 11, and 12. Highly competitive, academically rigorous programs are provided for students interested in earning an associate's degree while attending high school. An advanced program of study provides the opportunity for students to earn a traditional high school diploma and a 2-year college degree simultaneously. College transfer credits earned at NWFSC are acceptable at all public universities and colleges in the State of Florida and nationwide. CHS provides a wide array of student activities with a variety of clubs to meet the interests of a diverse student population. Students may also participate in NWFSC activities as well as extra-curricular activities at their zoned public high school.

Ruckel Middle School (RMS) is an A+ school that serves the Niceville area. Ruckel has been awarded the grade of A for 19 consecutive years. Ruckel has an enrollment of over 1,000 students and a staff of 70 educators. 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. They also offer Technology and STEM classes as elective courses in support of their academic mission. Academics are also promulgated 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.

Bluewater, Edge, and Plew are the three public elementary schools from kindergarten to fifth grade (K-5). These schools routinely outscore other district schools on standardized student performance test summary outcome reports.

Okaloosa Science, Technology, Engineering, Mathematics, Medical (STEMM) Academy, established in 2012, is a public middle school of choice committed to the mission of celebrating, challenging, developing, and inspiring our Nation's next generation of STEMM leaders. Okaloosa STEMM Academy is also a central hub for pre-k students with disabilities. Currently it has an enrollment of over 250 middle school students and 75 pre-k students. Okaloosa STEMM Academy has earned an A+ school rating for the seventh consecutive year since inception. STEMM Academy remains the number one school for academics in the State of Florida.

Niceville is also home to a private elementary school, Rocky Bayou Christian School. Rocky Bayou enrolls approximately 860 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. In October 2020, Rocky Bayou Christian School was rated by [TheBestSchools.org](https://www.thebestschools.org/) as one of the 50 best Christian High Schools, out of nearly 12,000 private Christian high schools in America.

Northwest Florida State College (NWFSC) 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, the Emerald Coast Autism Center, a sports complex, Learning Resources Center (library), and facilities for the college's various health and safety instructional programs, such as nursing (RN and BSN), dental assisting, radiography, EMT and Paramedic, and public safety. 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 of up to 1,650. It also has a smaller theater venue with seating for 195, art galleries which feature touring art exhibits and houses 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 were awarded the top prize with four other cities in the Florida League of Cities' (FLC) 2020 Municipal Youth Council Video Competition and placed third in the 2016 video competition. They also won first place in the FLC 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.

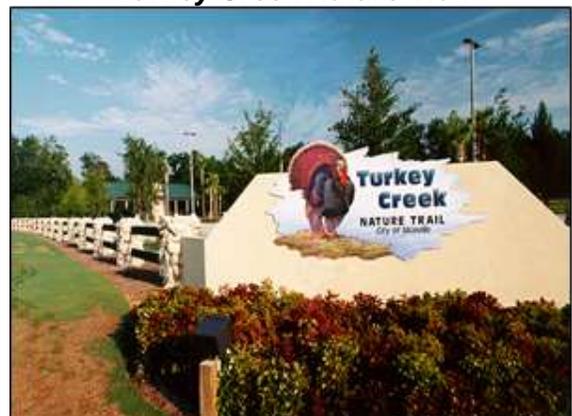
Fire Insurance Classification

The Insurance Services Office (ISO), which serves the property and casualty insurance marketplace, analyzes data about property fire protection and suppression programs, then issues 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 is a respectably low Class 3 rating. Providing a low and better PPC rating has led to reductions of up to 45% in property insurance premiums for owners of insured properties within the City.

Recreation Trails

Niceville's Turkey Creek Nature Park has been expanding and improving over the past 30 years. Since 1990, the City has added over 190 acres to the park, mostly through grants and donations, including three Florida Communities Trust (FCT) grants and two Florida Recreational Development Assistance Program (FRDAP) grants. These grants have funded improvements including a pavilion, a deck, and bridges across the 4,000 feet of elevated boardwalk along Turkey Creek. Additionally, partnership money from the U.S. Fish & Wildlife Service has paid in part for interpretative signage describing native flora and fauna along the boardwalk. Other grant-funded improvements include an access trail and observation deck, restroom facilities, driveway access from College Boulevard, additional parking, and landscaping improvements.

Turkey Creek Nature Trail



Recreation Facilities

The Youth Center caters to children who enjoy 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 be cautious while using ramps. Every participant must wear a helmet at all times. The area has lighting for dark hours of operation. The facility has restrooms and a snack room with vending options. In 2019 an improved fence was installed to keep visitors out when staff is not present.

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. Site accessibility is emphasized to provide easy mobility for people of all ages and physical conditions at this hazard-free facility. Numerous modern play stations provide for 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 four hundred to eight 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 12 thousand active cardholders and 75,606 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

On December 11, 2018, the Niceville Senior Center, located at 201 Campbell Drive, opened with a celebration that included a ribbon-cutting, refreshments and a performance by a premier Niceville High School vocal group, Opus One. The Senior Center empowers and enhances the lives of adults 55 and older through programs and caring services that promote wellness, social connection, support, nutrition, education, independence, activities, volunteerism, and fun.



The 9,200 square-foot Senior Center, features 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 in a multi-purpose room. Outside the Senior Center, recent improvements include a welcoming front porch with rocking chairs, a walking trail, pickle-ball and shuffleboard courts, some exercise stations and a putting green area.

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 FY19, four of the project’s eight 80-foot concrete poles, with up to 22 light fixtures per pole, had been installed. A student from Niceville High School raised money for scoreboards which were then purchased and installed at the twin oaks soccer fields.

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 City’s 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/ 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
Total Mini Parks				11.71 acres
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
Total Neighborhood Parks				14.50 acres
Bullock Pond	Community	Public	Fishing, boardwalk	1.80 acres
Children's Park	Community	Public	Benches, gazebos, playground equipment, tables, amphitheater, splash park	1.00 acres
City Hall Park	Community	Public	Gazebos, swings, benches, golf putting 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
Senior Center	Community	See Note ¹	Multi-purpose rooms, game rooms, pickle ball and shuffleboard courts	1.67 acres
Shirk's Bayou	Community	Public	Open space	2.57 acres
Twin Oaks Park	Community	Public	Baseball fields, soccer fields, concession stands, horseshoe pits	10.60 acres
Turkey Creek Park	Community	Public	Open space	76.39 acres
Turkey Creek Park (North Valparaiso)	Community	Public	Open space, conservation area, pavilions, tables, grills, boardwalk, restrooms	47.27 acres
Turkey Creek Park (South, Neal)	Community	Public	Conservation area, pavilions, tables, grills, bridge, walkway, restrooms	57.35 acres
Youth Center	Community	Public	Skateboarding, bicycling, concession area, picnic tables, restrooms	4.00 acres
Total Community Parks				264.16 acres
Grand Total				290.37 acres

¹ Senior Center membership may be required. Contact Senior Center at (850) 279-6436, ext. 1600

FOR THE FUTURE

Infrastructure improvements include water projects at or near Benton Avenue, \$200,000; Edrehi Area, \$260,000; meter installations on Eglin AFB property, \$10,000; and other miscellaneous water projects \$100,000.

Sewer projects include: Palm and Finck Road force main, \$10,000; 37th Street tie-in, \$10,000; lift station 4 tie-in to old County force main on Palm Boulevard, \$10,000; other sewer projects, \$50,000; and an annual sewer rehabilitation, \$150,000.

Re-use water projects scheduled for FY21 include a \$78,000 reclaimed water strainer system and repairs to the access road to the Eglin re-use pumping station.

Stormwater drainage projects include: Thomas Branch, \$1,104,770; Boggy Bayou Restoration, \$1,229,890; Bayshore Drive at Tropopines, \$27,000; Gracie Lane Woodridge, \$11,000; Bayshore Villas Outfall Pipe Replacements, \$25,000; Gracie Lane Woodridge, \$11,000; and budgeted for Stormwater contingency projects, \$200,000. In total, fiscal year 2021 stormwater projects are funded in the amount of \$2,772,390.

Plans also include \$1,460,000 for resurfacing of several streets and constructing or repairing sidewalks. A park under construction at 998 Rocky Bayou Drive will provide a walking track, a basketball court, and additional open space.

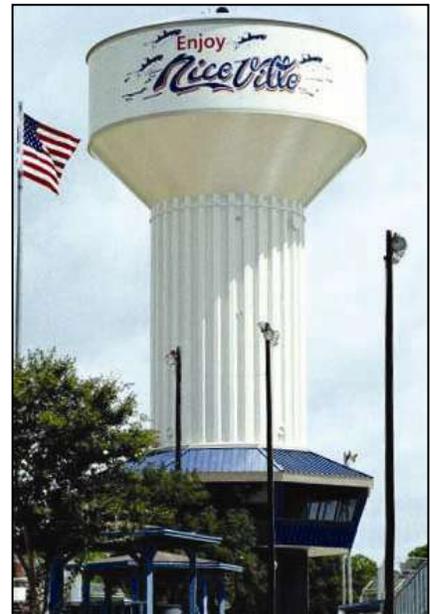
OTHER INFORMATION

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 in money market accounts or in negotiable certificates of deposit held in a safekeeping account at a qualified public depository. 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 principal and adequate liquidity, while earning competitive returns considering the primary goals.

Internal Controls

This report consists of management's representations concerning the finances of the City of Niceville. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.



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, 2019. 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.

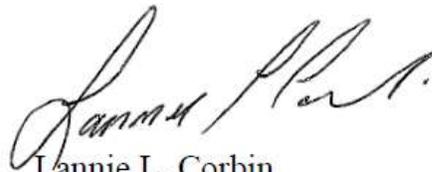
A Certificate of Achievement is valid for a period of one year only. This was the 34th consecutive year that the City has received this prestigious award. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are 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

March 29, 2021



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, 2019

Christopher P. Morill

Executive Director/CEO

City of Niceville, Florida
ORGANIZATIONAL CHART
 Year Ended September 30, 2020



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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Community Redevelopment Agency (CRA) Fund, and Discretionary Sales Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The individual fund financial statement and the schedule of expenditures of federal awards, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statement and the schedule of expenditures of federal awards are 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 March 29, 2021, 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
March 29, 2021

**CITY OF NICEVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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, 2020. 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 \$62.0 million (net position), which represents an increase of \$4.4 million from the prior year.
- Of the \$62.0 million of net position at September 30, 2020, \$37.6 million represents investments in capital assets (e.g. land, construction in progress, infrastructure, building, machinery and equipment) less any related debt used to acquire these assets that is still outstanding, \$8.5 million is restricted for future obligations, and \$15.9 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- During fiscal year 2020, the unfunded net pension liability increased by approximately \$2.4 million, for a total liability of \$13.9 million at year end. Of this increase, \$1.7 million relates to governmental activities, and \$702 thousand relates to business-type activities.
- The City's governmental funds reported ending fund balance of \$8.5 million, which represents a \$2.9 million increase from the prior year. Approximately \$6.4 million is restricted or assigned for specific purposes, and \$2.1 million of ending fund balance, is available for spending at the discretion of the City Council. This represents 14.3% 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, 2020**

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 of 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 – 27 of this report are the basic governmental fund financial statements.

**CITY OF NICEVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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 three governmental funds (General Fund, Community Redevelopment Agency Fund, and Discretionary Sales Tax 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 funds. The City adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements are 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 28 – 32 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 33 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 34 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 \$62.0 million (net position) for the fiscal year ended September 30, 2020, as reported in Table 1.

**CITY OF NICEVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

By far the largest portion of the City's net position, \$37.6 million (or 60.7%) 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, 2020 AND 2019
(In Thousands of Dollars*)**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 9,433	\$ 6,462	\$ 32,457	\$ 30,972	\$ 41,890	\$ 37,434
Capital assets	17,769	16,915	32,046	31,331	49,815	48,246
Total assets	27,202	23,377	64,503	62,303	91,705	85,680
Deferred outflows related to pensions	3,098	2,983	1,287	1,239	4,385	4,222
Deferred outflows related to OPEB	1,310	971	520	385	1,830	1,356
Deferred charges on refunding	-	-	118	130	118	130
Total deferred outflow of resources	4,408	3,954	1,925	1,754	6,333	5,708
Long-term liabilities outstanding	15,702	12,849	15,097	15,338	30,799	28,187
Other liabilities	1,521	1,626	3,252	3,013	4,773	4,639
Total liabilities	17,223	14,475	18,349	18,351	35,572	32,826
Deferred inflows related to pensions	172	523	71	217	243	740
Deferred inflows related to OPEB	182	192	72	76	254	268
Total deferred inflow of resources	354	715	143	293	497	1,008
Net position						
Net investment in capital assets	15,924	15,440	21,669	19,715	37,593	35,155
Restricted	2,808	1,509	5,690	4,905	8,498	6,414
Unrestricted	(4,699)	(4,808)	20,577	20,793	15,878	15,985
Total net position	\$ 14,033	\$ 12,141	\$ 47,936	\$ 45,413	\$ 61,969	\$ 57,554

**all dollar amounts rounded to the nearest thousand*

An additional portion of the City's net position, \$8.5 million, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$15.9 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 \$4.4 million during fiscal year 2020. The net position of governmental activities increased \$1.9 million, which is primarily attributable to receiving Coronavirus Aid, Relief, and Economic Security (CARES) Act grant funding of approximately \$2.2 million. The net position of business-type activities increased \$2.5 million primarily due to increases in utility service charges, impact fee contributions, and capital grants.

**CITY OF NICEVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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, 2020 AND 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	\$ 1,040,848	\$ 1,197,342	\$ 12,586,393	\$ 12,035,915	\$ 13,627,241	\$ 13,233,257
Operating grants & contributions	2,438,864	382,735	-	234,994	2,438,864	617,729
Capital grants and contributions	561,654	32,505	1,828,540	1,173,115	2,390,194	1,205,620
General revenues						
Property taxes	4,193,588	3,948,230	-	-	4,193,588	3,948,230
Other taxes	7,069,049	6,692,221	-	-	7,069,049	6,692,221
Other revenue	724,966	768,672	653,563	410,523	1,378,529	1,179,195
TOTAL REVENUES	16,028,969	13,021,705	15,068,496	13,854,547	31,097,465	26,876,252
EXPENSES						
Primary government						
General government	3,167,883	3,169,458	-	-	3,167,883	3,169,458
Public safety	5,715,864	5,509,655	-	-	5,715,864	5,509,655
Transportation	1,170,690	1,263,951	-	-	1,170,690	1,263,951
Internal services	879,893	909,510	-	-	879,893	909,510
Economic environment	92,929	162,098	-	-	92,929	162,098
Human services	57,681	55,998	-	-	57,681	55,998
Culture and recreation	3,626,752	3,466,779	-	-	3,626,752	3,466,779
Debt service interest and fees	24,577	34,118	-	-	24,577	34,118
Business-type activities						
Water and sewer	-	-	7,985,935	7,909,848	7,985,935	7,909,848
Sanitation	-	-	3,619,023	3,451,152	3,619,023	3,451,152
Stormwater	-	-	340,838	427,157	340,838	427,157
TOTAL EXPENSES	14,736,269	14,571,567	11,945,796	11,788,157	26,682,065	26,359,724
Increase (decrease) in net position before transfers	1,292,700	(1,549,862)	3,122,700	2,066,390	4,415,400	516,528
Transfers	600,000	466,049	(600,000)	(466,049)	-	-
Increase (decrease) in net position	1,892,700	(1,083,813)	2,522,700	1,600,341	4,415,400	516,528
NET POSITION, BEGINNING	12,140,736	13,224,549	45,413,101	43,812,760	57,553,837	57,037,309
NET POSITION, ENDING	\$ 14,033,436	\$ 12,140,736	\$ 47,935,801	\$ 45,413,101	\$ 61,969,237	\$ 57,553,837

**CITY OF NICEVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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.

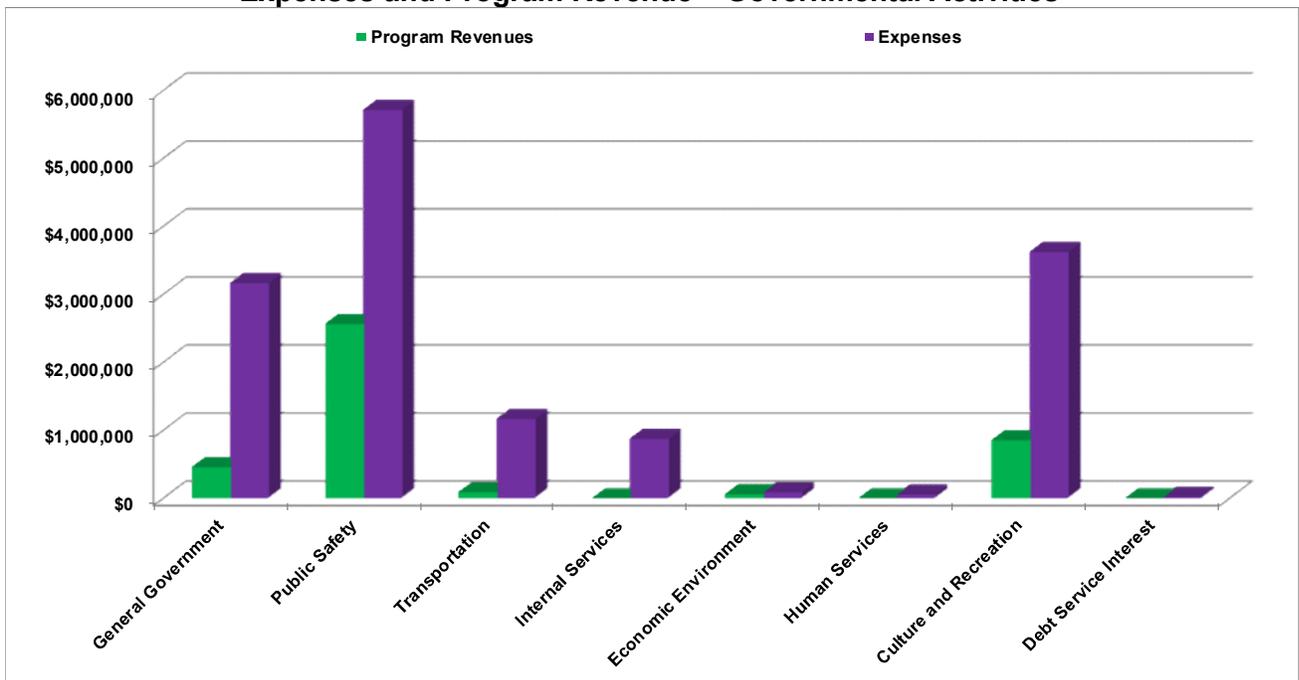
Current Year Impacts – Governmental Activities

- Operating grants and contributions increased by \$2.1 million during the fiscal year due to CARES Act grant funding of \$2.2 million for public safety personnel costs.
- Capital grants and contributions increased by \$529 thousand, which is primarily attributable to the Resources and Ecosystem Sustainability, Tourist Opportunities, and Revived Economies (RESTORE) Act grant funding of \$389 thousand to purchase three parcels of land for the Niceville Landing Project

**CITY OF NICEVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

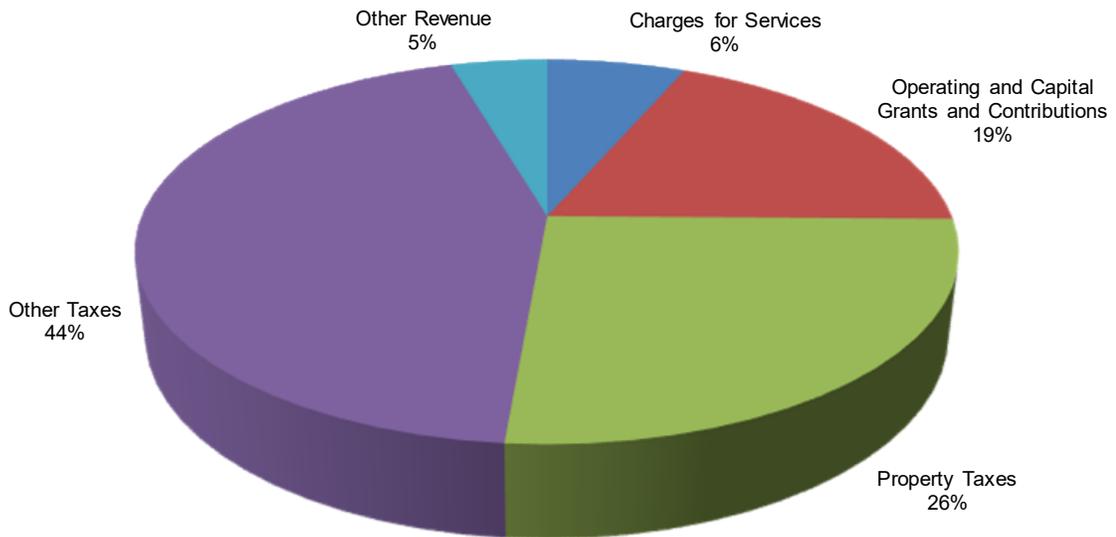
- Property tax revenues increased \$245 thousand, which is primarily attributable to an increase in the taxable value of real property within the City.
- Other tax revenues increased by \$272 thousand, which is primarily attributable to the City receiving a full year of discretionary sales tax distributions during the fiscal year 2020 compared to only nine months in the prior fiscal year.
- Public safety and culture and recreation expenses increased \$206 thousand and \$160 thousand, respectively. These increases were primarily the result of a general increase in personnel-related costs, including salaries, health benefits, pension, and other post-employment benefits expenses.

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



**CITY OF NICEVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

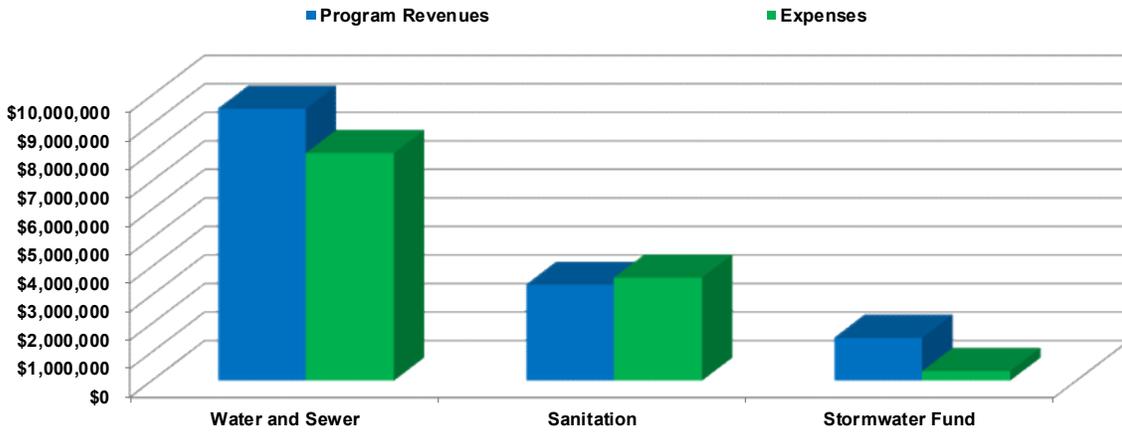


Current Year Impacts – Business-Type Activities

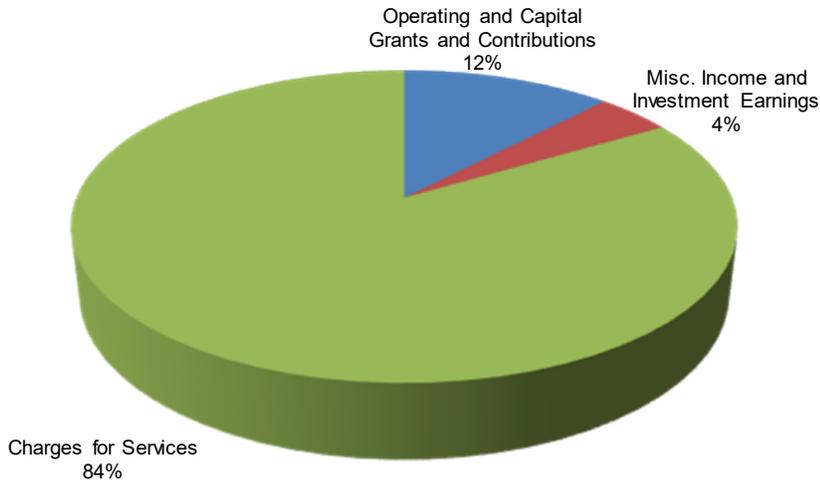
- The net position of business-type activities increased \$2.5 million during the fiscal year.
- Capital grants and contributions increased by \$655 thousand due to increased activity related to a major stormwater improvement project funded by a grant from the National Fish and Wildlife Foundation.
- Operating grants and contributions decreased by \$235 thousand, which is due to a decrease in equity earnings in the component unit (NVR SB).
- Charges for services increased by \$550 thousand, which is primarily attributable to increases in billed consumption volume (demand).

**CITY OF NICEVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

**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, 2020**

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$8.5 million, a \$2.9 million increase from the prior year. This increase is primarily attributable to an increase in revenue from federal grants, such as CARES Act and RESTORE Act funding. In addition, the City delayed certain planned capital projects as a result of the COVID-19 pandemic. Approximately \$2.1 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 2020, unassigned fund balance of the General Fund was \$2.1 million, while total fund balance reached \$6.1 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 14.6% of the total General Fund operating expenditures, while total fund balance represents 42.3% of that same amount.

During fiscal year 2020, the fund balance of the City's General Fund increased by \$1.7 million. This is primarily due to federal grants, such as CARES Act funding due to COVID-19, which offset public safety expenditures during the pandemic.

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 \$20.6 million at the end of the year; of that, the Water and Sewer Fund amounted to \$18.7 million, the Sanitation Fund totaled \$379 thousand, and the Stormwater Utility Management Fund was \$1.5 million. Net position for proprietary funds increased \$2.5 million during fiscal year 2020. This increase was primarily attributable to increases in capital grants from the National Fish and Wildlife Foundation and interest income earned on deposits.

BUDGETARY HIGHLIGHTS

General Fund

- No amendments were made to the original adopted budget for 2020.
- Actual revenues were more than budgetary expectations by \$185 thousand. The difference noted was primarily due to intergovernmental revenues from grants and similar agreements being higher than expected.
- Actual expenditures were less than budgeted expectations this year by \$5.0 million. This was primarily related to unused contingency reserves and capital outlay expenditures for planned projects being lower than expected.

**CITY OF NICEVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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, 2020, amounts to \$49.8 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 \$1.6 million and is summarized in Table 3.

**TABLE 3
CITY OF NICEVILLE, FLORIDA
CAPITAL ASSETS
(NET OF DEPRECIATION)
AS OF SEPTEMBER 30, 2020 AND 2019**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 5,213,847	\$ 4,767,154	\$ 1,484,161	\$ 1,484,161	\$ 6,698,008	\$ 6,251,315
Buildings	3,299,464	2,871,348	1,127,956	1,212,715	4,427,420	4,084,063
Improvements other than buildings	6,123,161	5,704,327	25,890,681	26,481,674	32,013,842	32,186,001
Infrastructure	1,256,228	1,460,280	-	-	1,256,228	1,460,280
Machinery and equipment	930,272	514,738	964,533	703,845	1,894,805	1,218,583
Construction in progress	946,102	1,596,671	2,578,768	1,448,220	3,524,870	3,044,891
Total	\$ 17,769,074	\$ 16,914,518	\$ 32,046,099	\$ 31,330,615	\$ 49,815,173	\$ 48,245,133

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 \$13.3 million, which represents a decrease of \$779 thousand 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, 2020**

**Table 4
City of Niceville, Florida
Long-Term Debt Outstanding
AS OF SEPTEMBER 30, 2020 AND 2019**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues bonds, net	\$ 522,200	\$ 600,000	\$ 6,814,526	\$ 7,798,049	\$ 7,336,726	\$ 8,398,049
Commercial notes payable	315,000	-	-	-	315,000	-
Lease payable	1,065,336	874,565	430,000	568,000	1,495,336	1,442,565
State revolving loans	-	-	3,251,276	3,379,203	3,251,276	3,379,203
Compensated absences	716,612	689,792	210,226	194,547	926,838	884,339
Total	\$ 2,619,148	\$ 2,164,357	\$ 10,706,028	\$ 11,939,799	\$ 13,325,176	\$ 14,104,156

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, 2020**

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

- The local unemployment rate was 3.8%, which represents an approximate 1.4% increase from September 2019. The State of Florida's unemployment rate was 7.2%, which represents an approximate 4.2% increase from September 2019, when it was 3.0%. 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 down by 7.6% over the prior year, the half-cent sales tax distribution estimate is down by 11.8% over the prior year, and the communication services tax distribution estimate is down by 0.3% compared to the prior year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, 208 North Partin Drive, Niceville Florida 32578. The City can also be found online at www.niceville.org.

**CITY OF NICEVILLE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Niceville- Valparaiso Regional Sewer Board, Inc.
ASSETS				
Cash and cash equivalents	\$ 5,964,256	\$ 16,925,061	\$ 22,889,317	\$ 2,050,590
Receivables, net	449,589	1,443,193	1,892,782	6,788
Due from other governments	2,636,854	-	2,636,854	-
Prepaid items	18,298	28,000	46,298	-
Inventory, at cost	11,069	295,045	306,114	3,058
Restricted assets				
Cash and cash equivalents	352,753	6,506,694	6,859,447	16,400
Capital assets, net				
Non-depreciable	6,159,949	4,062,929	10,222,878	-
Depreciable, net	11,609,125	27,983,170	39,592,295	7,103,245
Other assets				
Investment in component unit	-	7,258,448	7,258,448	-
TOTAL ASSETS	27,201,893	64,502,540	91,704,433	9,180,081
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	3,098,208	1,287,086	4,385,294	-
Deferred outflows related to OPEB	1,310,270	520,216	1,830,486	-
Deferred charges on refunding	-	118,330	118,330	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,408,478	1,925,632	6,334,110	-

See notes to the financial statements.

CITY OF NICEVILLE, FLORIDA
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Niceville- Valparaiso Regional Sewer Board, Inc.
LIABILITIES				
Accounts payable	\$ 635,057	\$ 1,085,764	\$ 1,720,821	\$ 49,849
Accrued wages	180,884	75,346	256,230	57,172
Unearned revenues	84,292	-	84,292	-
Payable from restricted assets				
Customer deposits	-	816,791	816,791	-
Non-current liabilities				
Amounts due within one year				
Accrued interest payable	3,299	44,870	48,169	-
Compensated absences	195,964	50,091	246,055	-
Leases payable	278,151	141,000	419,151	-
Commercial notes payable	63,000	-	63,000	-
Revenue bonds payable	80,200	909,216	989,416	-
State revolving loans payable	-	128,933	128,933	-
Amounts due beyond one year				
Compensated absences	520,648	160,135	680,783	-
Net OPEB liability	3,892,601	1,545,482	5,438,083	-
Net pension liability	9,808,150	4,074,581	13,882,731	-
Leases payable	787,185	289,000	1,076,185	-
Commercial notes payable	252,000	-	252,000	-
Revenues bonds payable, net	442,000	5,905,310	6,347,310	-
State revolving loans payable, net	-	3,122,343	3,122,343	-
TOTAL LIABILITIES	17,223,431	18,348,862	35,572,293	107,021
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	171,769	71,354	243,123	-
Deferred inflows related to OPEB	181,735	72,155	253,890	-
TOTAL DEFERRED INFLOWS OF RESOURCES	353,504	143,509	497,013	-
NET POSITION				
Net investment in capital assets	15,924,538	21,668,627	37,593,165	7,103,245
Restricted				
Debt service	-	636,188	636,188	-
Capital projects	296,328	5,053,715	5,350,043	-
Discretionary sales taxes	2,188,519	-	2,188,519	-
Improvement districts	267,095	-	267,095	-
Other	56,425	-	56,425	16,400
Unrestricted	(4,699,469)	20,577,271	15,877,802	1,953,415
TOTAL NET POSITION	\$ 14,033,436	\$ 47,935,801	\$ 61,969,237	\$ 9,073,060

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Function/program activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General government	\$ 3,167,883	\$ 430,214	\$ 30,769	\$ -	\$ (2,706,900)	\$ -	\$ (2,706,900)	
Public safety	5,715,864	358,485	2,186,140	22,365	(3,148,874)	-	(3,148,874)	
Transportation	1,170,690	93,012	-	-	(1,077,678)	-	(1,077,678)	
Internal services	879,893	-	-	-	(879,893)	-	(879,893)	
Economic environment	92,929	-	62,599	-	(30,330)	-	(30,330)	
Human services	57,681	-	-	-	(57,681)	-	(57,681)	
Culture and recreation	3,626,752	159,137	159,356	539,289	(2,768,970)	-	(2,768,970)	
Debt service interest	24,577	-	-	-	(24,577)	-	(24,577)	
Total governmental activities	14,736,269	1,040,848	2,438,864	561,654	(10,694,903)	-	(10,694,903)	
Business-type activities								
Water and sewer	7,985,935	8,724,834	-	814,319	-	1,553,218	1,553,218	
Sanitation	3,619,023	3,369,224	-	-	-	(249,799)	(249,799)	
Stormwater utility management	340,838	492,335	-	1,014,221	-	1,165,718	1,165,718	
Total business-type activities	11,945,796	12,586,393	-	1,828,540	-	2,469,137	2,469,137	
Total primary government	\$ 26,682,065	\$ 13,627,241	\$ 2,438,864	\$ 2,390,194	(10,694,903)	2,469,137	(8,225,766)	

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
STATEMENT OF ACTIVITIES – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<u>Function/program activities</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u> <u>Niceville- Valparaiso Regional Sewer Board, Inc.</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Component Unit								
Niceville-Valparaiso Regional Sewer Board, Inc.	\$ 2,203,326	\$ 2,115,371	\$ -	\$ -				\$ (87,955)
General revenues								
Taxes								
Property taxes					\$ 4,193,588	\$ -	\$ 4,193,588	-
Utility service taxes					2,276,026	-	2,276,026	-
Other taxes					4,793,023	-	4,793,023	-
Intergovernmental, unrestricted					615,607	-	615,607	-
Miscellaneous					26,048	290,363	316,411	10,213
Investment earnings					83,311	363,200	446,511	29,619
Transfers					600,000	(600,000)	-	-
Total general revenues and transfers					<u>12,587,603</u>	<u>53,563</u>	<u>12,641,166</u>	<u>39,832</u>
CHANGE IN NET POSITION					1,892,700	2,522,700	4,415,400	(48,123)
NET POSITION AT BEGINNING OF YEAR					<u>12,140,736</u>	<u>45,413,101</u>	<u>57,553,837</u>	<u>9,121,183</u>
NET POSITION AT END OF YEAR					<u>\$ 14,033,436</u>	<u>\$ 47,935,801</u>	<u>\$ 61,969,237</u>	<u>\$ 9,073,060</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
GOVERNMENTAL FUNDS – BALANCE SHEET
SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>CRA Fund</u>	<u>Discretionary Sales Tax Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,627,190	\$ 271,041	\$ 2,066,025	\$ 5,964,256
Receivables	449,589	-	-	449,589
Due from other governments	2,478,044	-	158,810	2,636,854
Inventory, at cost	11,069	-	-	11,069
Prepaid items	18,298	-	-	18,298
Restricted assets				
Cash and cash equivalents	352,753	-	-	352,753
TOTAL ASSETS	<u>\$ 6,936,943</u>	<u>\$ 271,041</u>	<u>\$ 2,224,835</u>	<u>\$ 9,432,819</u>
LIABILITIES				
Accounts payable	\$ 594,795	\$ 3,946	\$ 36,316	\$ 635,057
Accrued interest payable	3,299	-	-	3,299
Accrued wages payable	180,884	-	-	180,884
Unearned revenues	84,292	-	-	84,292
TOTAL LIABILITIES	<u>863,270</u>	<u>3,946</u>	<u>36,316</u>	<u>903,532</u>
FUND BALANCE				
Nonspendable	29,367	-	-	29,367
Restricted	352,753	267,095	2,188,519	2,808,367
Assigned	3,595,191	-	-	3,595,191
Unassigned	2,096,362	-	-	2,096,362
TOTAL FUND BALANCE	<u>6,073,673</u>	<u>267,095</u>	<u>2,188,519</u>	<u>8,529,287</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 6,936,943</u>	<u>\$ 271,041</u>	<u>\$ 2,224,835</u>	<u>\$ 9,432,819</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, 2020**

Fund balance, total governmental funds		\$ 8,529,287
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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	\$ 6,159,949	
Governmental depreciable assets	34,652,695	
Less accumulated depreciation	<u>(23,043,570)</u>	
		17,769,074

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	3,098,208	
Deferred inflows of resources related to pensions	(171,769)	
Deferred outflows of resources related to OPEB	1,310,270	
Deferred inflows of resources related to OPEB	<u>(181,735)</u>	
		4,054,974

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

Revenue bonds payable	(522,200)	
Commercial bank notes	(315,000)	
Capital leases payable	(1,065,336)	
Compensated absences	(716,612)	
Net OPEB liability	(3,892,601)	
Net pension liability	<u>(9,808,150)</u>	
		<u>(16,319,899)</u>

Net position of governmental activities		<u><u>\$ 14,033,436</u></u>
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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, 2020**

	<u>General Fund</u>	<u>CRA Fund</u>	<u>Discretionary Sales Tax Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 6,477,792	\$ 67,760	\$ -	\$ 6,545,552
Licenses, fees, and permits	1,577,483	-	-	1,577,483
Intergovernmental	5,418,374	62,613	1,413,943	6,894,930
Charges for services	681,517	-	-	681,517
Fines	46,999	-	-	46,999
Miscellaneous	111,044	2,755	18,689	132,488
Total revenues	<u>14,313,209</u>	<u>133,128</u>	<u>1,432,632</u>	<u>15,878,969</u>
EXPENDITURES				
Current:				
General government	2,752,279	-	-	2,752,279
Public safety	4,540,560	-	-	4,540,560
Transportation	838,185	-	-	838,185
Internal service	698,961	-	-	698,961
Economic environment	62,599	30,330	-	92,929
Human services	57,681	-	-	57,681
Culture and recreation	2,765,322	-	-	2,765,322
Capital outlay	1,918,893	-	283,263	2,202,156
Debt service:				
Principal	713,027	-	-	713,027
Interest	24,577	-	-	24,577
Total expenditures	<u>14,372,084</u>	<u>30,330</u>	<u>283,263</u>	<u>14,685,677</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(58,875)</u>	<u>102,798</u>	<u>1,149,369</u>	<u>1,193,292</u>
OTHER FINANCING SOURCES				
Issuance of long-term debt	1,140,998	-	-	1,140,998
Transfers in	600,000	-	-	600,000
Total other financing sources	<u>1,740,998</u>	<u>-</u>	<u>-</u>	<u>1,740,998</u>
NET CHANGE IN FUND BALANCE	1,682,123	102,798	1,149,369	2,934,290
FUND BALANCE, BEGINNING	<u>4,391,550</u>	<u>164,297</u>	<u>1,039,150</u>	<u>5,594,997</u>
FUND BALANCE, ENDING	<u>\$ 6,073,673</u>	<u>\$ 267,095</u>	<u>\$ 2,188,519</u>	<u>\$ 8,529,287</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, 2020**

Net change in fund balance – governmental funds \$ 2,934,290

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	\$ 2,202,156	
Less current year depreciation	<u>(1,494,228)</u>	707,928

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

Disposals of capital assets	(284,383)	
Accumulated depreciation associated with disposals	284,355	
Transfers/adjustments of capital assets	14,934	
Accumulated depreciation associated with transfers/adjustments	(18,278)	
Estimated acquisition value of donated land	<u>150,000</u>	146,628

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.

Proceeds from issuance of long-term debt	(1,140,998)	
Principal payments	<u>713,027</u>	(427,971)

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	(1,223,334)	
Change in net OPEB liability and related deferred outflows and inflows	(218,021)	
Change in long-term compensated absences	<u>(26,820)</u>	<u>(1,468,175)</u>

Change in net position of governmental activities		<u><u>\$ 1,892,700</u></u>
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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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	6,476,070	\$ 6,476,070	\$ 6,477,792	\$ 1,722
Licenses, fees and permits	1,485,000	1,485,000	1,577,483	92,483
Intergovernmental	5,200,820	5,200,820	5,418,374	217,554
Charges for services	764,120	764,120	681,517	(82,603)
Fines	65,890	65,890	46,999	(18,891)
Miscellaneous	135,960	135,960	111,044	(24,916)
Total revenues	<u>14,127,860</u>	<u>14,127,860</u>	<u>14,313,209</u>	<u>185,349</u>
EXPENDITURES				
Current				
General government	3,276,160	3,276,160	2,752,279	523,881
Public safety	4,873,550	4,873,550	4,540,560	332,990
Transportation	2,209,200	2,209,200	838,185	1,371,015
Internal service	792,630	792,630	698,961	93,669
Economic environment	275,000	275,000	62,599	212,401
Human services	57,680	57,680	57,681	(1)
Culture and recreation	3,517,060	3,517,060	2,765,322	751,738
Capital outlay	4,067,360	4,067,360	1,918,893	2,148,467
Debt service				
Principal	290,280	290,280	713,027	(422,747)
Interest	32,660	32,660	24,577	8,083
Total expenditures	<u>19,391,580</u>	<u>19,391,580</u>	<u>14,372,084</u>	<u>5,019,496</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(5,263,720)</u>	<u>(5,263,720)</u>	<u>(58,875)</u>	<u>5,204,845</u>
OTHER FINANCING SOURCES				
Issuance of long-term debt	475,000	475,000	1,140,998	665,998
Transfers in	600,000	600,000	600,000	-
NET CHANGE IN FUND BALANCE	<u>(4,188,720)</u>	<u>(4,188,720)</u>	<u>1,682,123</u>	<u>5,870,843</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>4,188,720</u>	<u>4,188,720</u>	<u>4,391,550</u>	<u>202,830</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,073,673</u>	<u>\$ 6,073,673</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
CRA FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 70,390	\$ 70,390	\$ 67,760	\$ (2,630)
Intergovernmental	62,610	62,610	62,613	3
Miscellaneous	-	-	2,755	2,755
Total revenues	<u>133,000</u>	<u>133,000</u>	<u>133,128</u>	<u>128</u>
EXPENDITURES				
Current				
Economic environment	163,100	163,100	30,330	132,770
Debt service				
Principal	<u>126,970</u>	<u>126,970</u>	-	<u>126,970</u>
Total expenditures	<u>290,070</u>	<u>290,070</u>	<u>30,330</u>	<u>259,740</u>
NET CHANGE IN FUND BALANCE	(157,070)	(157,070)	102,798	259,868
FUND BALANCE AT BEGINNING OF YEAR	<u>157,070</u>	<u>157,070</u>	<u>164,297</u>	<u>7,227</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,095</u>	<u>\$ 267,095</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
DISCRETIONARY SALES TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 1,413,943	\$ 1,413,943
Miscellaneous	-	-	18,689	18,689
Total revenues	-	-	1,432,632	1,432,632
EXPENDITURES				
Capital outlay	-	-	283,263	(283,263)
Total expenditures	-	-	283,263	(283,263)
NET CHANGE IN FUND BALANCE	-	-	1,149,369	1,149,369
FUND BALANCE AT BEGINNING OF YEAR	-	-	1,039,150	1,039,150
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,188,519</u>	<u>\$ 2,188,519</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2020**

	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 13,978,554	\$ 1,563,132	\$ 1,383,375	\$ 16,925,061
Receivables, net	779,960	300,015	363,218	1,443,193
Prepaid items	28,000	-	-	28,000
Inventory, at cost	292,074	2,971	-	295,045
Total current assets	<u>15,078,588</u>	<u>1,866,118</u>	<u>1,746,593</u>	<u>18,691,299</u>
Non-current assets				
Restricted assets				
Cash and cash equivalents	6,447,355	-	59,339	6,506,694
Capital assets				
Non-depreciable	1,879,948	-	2,182,981	4,062,929
Depreciable, net	24,544,813	413,879	3,024,478	27,983,170
Total capital assets	<u>26,424,761</u>	<u>413,879</u>	<u>5,207,459</u>	<u>32,046,099</u>
Other assets				
Investment in component unit	7,258,448	-	-	7,258,448
Total non-current assets	<u>40,130,564</u>	<u>413,879</u>	<u>5,266,798</u>	<u>45,811,241</u>
TOTAL ASSETS	<u>55,209,152</u>	<u>2,279,997</u>	<u>7,013,391</u>	<u>64,502,540</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	896,795	390,291	-	1,287,086
Deferred outflows related to OPEB	372,845	147,371	-	520,216
Deferred charges on refunding	118,330	-	-	118,330
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,387,970</u>	<u>537,662</u>	<u>-</u>	<u>1,925,632</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION – CONTINUED
 SEPTEMBER 30, 2020**

	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Total
LIABILITIES				
Current liabilities				
Accounts payable	\$ 630,930	\$ 241,741	\$ 213,093	\$ 1,085,764
Accrued liabilities				
Compensated absences	39,321	10,770	-	50,091
Wages	48,562	26,784	-	75,346
Interest	44,870	-	-	44,870
Lease payable	141,000	-	-	141,000
Revenue bonds payable	909,216	-	-	909,216
State revolving loan payable	113,832	-	15,101	128,933
Payable from restricted assets				
Customer deposits	816,791	-	-	816,791
Total current liabilities	<u>2,744,522</u>	<u>279,295</u>	<u>228,194</u>	<u>3,252,011</u>
Non-current liabilities				
Compensated absences	130,579	29,556	-	160,135
Net pension liability	2,839,018	1,235,563	-	4,074,581
Net OPEB liability	1,107,666	437,816	-	1,545,482
Lease payable, net	289,000	-	-	289,000
Revenue bonds payable, net	5,905,310	-	-	5,905,310
State revolving loans payable, net	2,878,321	-	244,022	3,122,343
Total non-current liabilities	<u>13,149,894</u>	<u>1,702,935</u>	<u>244,022</u>	<u>15,096,851</u>
TOTAL LIABILITIES	<u>15,894,416</u>	<u>1,982,230</u>	<u>472,216</u>	<u>18,348,862</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	49,718	21,636	-	71,354
Deferred inflows related to OPEB	51,714	20,441	-	72,155
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>101,432</u>	<u>42,077</u>	<u>-</u>	<u>143,509</u>
NET POSITION				
Net investment in capital assets	16,306,414	413,879	4,948,334	21,668,627
Restricted				
Debt service	632,377	-	3,811	636,188
Capital projects	4,998,187	-	55,528	5,053,715
Unrestricted				
	<u>18,664,296</u>	<u>379,473</u>	<u>1,533,502</u>	<u>20,577,271</u>
TOTAL NET POSITION	<u>\$ 40,601,274</u>	<u>\$ 793,352</u>	<u>\$ 6,541,175</u>	<u>\$ 47,935,801</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, 2020**

	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Total
REVENUES				
Charges for services	\$ 8,724,834	\$ 3,369,224	\$ 492,335	\$ 12,586,393
OPERATING EXPENSES				
Personal services	2,378,755	1,092,964	-	3,471,719
Operating	3,696,481	2,378,114	140,473	6,215,068
Depreciation	1,561,365	147,945	192,152	1,901,462
Total operating expenses	7,636,601	3,619,023	332,625	11,588,249
OPERATING INCOME	1,088,233	(249,799)	159,710	998,144
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(299,003)	-	(8,213)	(307,216)
Amortization	(11,833)	-	-	(11,833)
Equity earnings in component unit	(38,498)	-	-	(38,498)
Interest income	317,533	24,640	21,027	363,200
Miscellaneous	203,875	86,452	36	290,363
Total non-operating revenue (expenses)	172,074	111,092	12,850	296,016
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS				
	1,260,307	(138,707)	172,560	1,294,160
Capital contributions – impact fees	810,975	-	32,086	843,061
Capital contributions – other	3,344	-	-	3,344
Capital grants	-	-	982,135	982,135
Transfers out	(200,000)	(200,000)	(200,000)	(600,000)
Total capital contributions and transfers	614,319	(200,000)	814,221	1,228,540
CHANGE IN NET POSITION	1,874,626	(338,707)	986,781	2,522,700
NET POSITION AT BEGINNING OF YEAR	38,726,648	1,132,059	5,554,394	45,413,101
NET POSITION AT END OF YEAR	\$ 40,601,274	\$ 793,352	\$ 6,541,175	\$ 47,935,801

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 8,737,122	\$ 3,353,417	\$ 491,104	\$ 12,581,643
Payments to suppliers	(3,694,106)	(2,286,576)	1,014	(5,979,668)
Payments to employees	(1,936,213)	(902,922)	-	(2,839,135)
Miscellaneous income	203,875	86,452	36	290,363
Net cash provided by operating activities	<u>3,310,678</u>	<u>250,371</u>	<u>492,154</u>	<u>4,053,203</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(600,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of capital assets	(1,503,165)	(90,284)	(1,020,153)	(2,613,602)
Proceeds from capital grants	-	-	749,808	749,808
Proceeds from impact fees	810,975	-	32,086	843,061
Principal paid on state revolving loans	(113,240)	-	(14,687)	(127,927)
Principal paid on long-term debt	(983,523)	-	-	(983,523)
Principal paid on capital leases	(138,000)	-	-	(138,000)
Interest paid on long-term debt	(306,888)	-	(8,213)	(315,101)
Net cash used in capital and related financing activities	<u>(2,233,841)</u>	<u>(90,284)</u>	<u>(261,159)</u>	<u>(2,585,284)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>317,533</u>	<u>24,640</u>	<u>21,027</u>	<u>363,200</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,194,370	(15,273)	52,022	1,231,119
CASH AND CASH EQUIVALENTS, BEGINNING	<u>19,231,539</u>	<u>1,578,405</u>	<u>1,390,692</u>	<u>22,200,636</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 20,425,909</u>	<u>\$ 1,563,132</u>	<u>\$ 1,442,714</u>	<u>\$ 23,431,755</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current assets	\$ 13,978,554	\$ 1,563,132	\$ 1,383,375	\$ 16,925,061
Restricted assets	6,447,355	-	59,339	6,506,694
Total cash and cash equivalents	<u>\$ 20,425,909</u>	<u>\$ 1,563,132</u>	<u>\$ 1,442,714</u>	<u>\$ 23,431,755</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,088,233	\$ (249,799)	\$ 159,710	\$ 998,144
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,561,365	147,945	192,152	1,901,462
Miscellaneous revenue	203,875	86,452	36	290,363
Decrease (increase) in assets:				
Accounts receivable	(42,795)	(15,807)	(1,231)	(59,833)
Inventory	(8,084)	7,383	-	(701)
Prepaid expenses	1,000	-	-	1,000
Increase in deferred outflows	(129,865)	(52,662)	-	(182,527)
Increase (decrease) in liabilities:				
Accounts payable	9,459	84,155	141,487	235,101
Accrued wages	11,404	10,740	-	22,144
Customer deposits	55,083	-	-	55,083
Compensated absences	15,000	679	-	15,679
Net OPEB liability	161,492	63,832	-	225,324
Net pension liability	488,995	212,814	-	701,809
Decrease in deferred inflows	(104,484)	(45,361)	-	(149,845)
Net cash provided by operating activities	<u>\$ 3,310,678</u>	<u>\$ 250,371</u>	<u>\$ 492,154</u>	<u>\$ 4,053,203</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS				
Equity earnings in joint venture	<u>\$ (38,498)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38,498)</u>
Debt-related amortization	<u>\$ (11,833)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,833)</u>
Capital grants receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,408</u>	<u>\$ 306,408</u>
Contributions of assets from other funds	<u>\$ 3,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,344</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
AGENCY FUND – SCHOLARSHIPS
STATEMENT OF ASSETS AND LIABILITIES
SEPTEMBER 30, 2020**

ASSETS

Cash and cash equivalents	\$ 401,812
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TOTAL ASSETS

\$ 401,812

LIABILITIES

Due to scholarship recipients	\$ 401,812
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TOTAL LIABILITIES

\$ 401,812

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Niceville, Florida (the City) was established in 1938. The City's original charter was enacted as Chapter 31034, Laws of Florida, in 1955. The present charter was enacted in 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 \$7,258,448 as of September 30, 2020.

A financial benefit/burden relationship exists between the City of Niceville and the 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, 2020 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, 2020**

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, 2020**

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 1st
Levy Date	November 1st
Due Date	November 1st
Delinquent Date	April 1st

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

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 2020 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, 2020**

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 funds:

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.

Community Redevelopment Agency (CRA) Fund – The CRA Fund, a special revenue fund, is the operating fund of the Niceville Community Redevelopment Agency (the Agency). It is used to account for the activities of the Agency. The primary revenue source for this fund is tax increment financing proceeds from ad valorem taxes.

Discretionary Sales Tax Fund – This is a special revenue fund used to account for proceeds received from discretionary sales taxes that are restricted by the taxpayer referendum that authorized the local option taxes for funding of critical needs, including essential law enforcement/public safety facilities and equipment, construction and repair of roads and bridges, flood control and water quality improvements, construction and improvement of other public facilities, and debt service.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

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.

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 Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts at qualified public depositories, and direct obligations of the U.S. Treasury. 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".

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Deposits and Investments – Continued

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.

Services provided 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.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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	\$2,500
Infrastructure	\$2,500
Improvements – other	\$2,500
Equipment, vehicles, computers	\$2,500
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.

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:

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

<u>Years of Employment</u>	<u>Max. Number of Accumulated Hrs. to be paid</u>
0-6 Years	240
7-15 Years	360
15 or More Years	480

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

In debt refundings, 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 (General Fund, Water and Sewer Fund, and Sanitation Fund).

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.

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.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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.

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 2021 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.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Classification of Fund Balance – Continued

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 debt 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.
- *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.

Estimates

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

Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2020, and March 29, 2021, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

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

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

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

Budget amounts reflected in the financial statements are originally adopted amounts as amended by the City Council by revision of fund totals. No budget amendments were made to originally adopted amounts for fiscal year 2020.

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.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

3. DEPOSITS AND INVESTMENTS – CONTINUED

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 has a brokerage account that invests primarily in certificates of deposit at various financial institutions. As of September 30, 2020, the City held \$245,000 in the brokerage account. The City's deposits at September 30, 2020, were entirely covered by the FDIC 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, 2020, the City did not have any deposits classified as investments.

4. RECEIVABLES

Receivables at September 30, 2020, were as follows:

	Governmental		Business-Type			Total
	General	Disc. Sales Tax	Water & Sewer	Sanitation	Stormwater	
Accounts	\$ 260,005	\$ -	\$ 803,244	\$ 320,564	\$ 47,181	\$ 1,430,994
Other	190,231	-	15,035	5,515	320,227	531,008
Less allowance for doubtful accounts	<u>(647)</u>	<u>-</u>	<u>(38,319)</u>	<u>(26,064)</u>	<u>(4,190)</u>	<u>(69,220)</u>
Receivables, net	449,589	-	779,960	300,015	363,218	1,892,782
Due from other governments	<u>2,478,044</u>	<u>158,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,636,854</u>
Total	<u><u>\$ 2,927,633</u></u>	<u><u>\$ 158,810</u></u>	<u><u>\$ 779,960</u></u>	<u><u>\$ 300,015</u></u>	<u><u>\$ 363,218</u></u>	<u><u>\$ 4,529,636</u></u>

Due from Other Governments

Due from other governments within the General Fund relates to cost reimbursement grants, half cent sales tax, state revenue sharing proceeds, local option fuel tax, and other various intergovernmental revenues. In the Discretionary Sales Tax Fund, amounts due from other governments consist of discretionary sales surtax revenues.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

5. CAPITAL ASSETS

The cost of assets acquired through capital leases, net of accumulated depreciation, are as follows at September 30, 2020:

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Water meter upgrade project	\$ -	\$ 1,326,043
Server upgrade project	635,998	-
Fire truck	836,265	-
Library generator	132,000	-
Accumulated depreciation	<u>(710,825)</u>	<u>(216,587)</u>
Assets acquired by lease, net	<u>\$ 893,438</u>	<u>\$ 1,109,456</u>

Capital asset activity for the year ended September 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments / Transfers</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets not being depreciated					
Land	\$ 4,767,154	\$ 296,693	\$ -	\$ 150,000	\$ 5,213,847
Construction in progress	1,596,671	583,432	-	(1,234,001)	946,102
Total capital assets not being depreciated	<u>6,363,825</u>	<u>880,125</u>	<u>-</u>	<u>(1,084,001)</u>	<u>6,159,949</u>
Capital assets being depreciated					
Buildings	5,963,750	29,082	-	578,053	6,570,885
Improvements other than buildings	10,372,487	90,078	-	655,948	11,118,513
Infrastructure	7,450,171	-	-	-	7,450,171
Machinery and equipment	8,428,921	1,202,871	(240,655)	14,934	9,406,071
Library books	150,783	-	(43,728)	-	107,055
Total capital assets being depreciated	<u>32,366,112</u>	<u>1,322,031</u>	<u>(284,383)</u>	<u>1,248,935</u>	<u>34,652,695</u>
Less accumulated depreciation					
Buildings	(3,092,402)	(179,083)	-	64	(3,271,421)
Improvements other than buildings	(4,668,160)	(327,192)	-	-	(4,995,352)
Infrastructure	(5,989,891)	(204,052)	-	-	(6,193,943)
Machinery and equipment	(7,914,183)	(783,901)	240,627	(18,342)	(8,475,799)
Library books	(150,783)	-	43,728	-	(107,055)
Total accumulated depreciation	<u>(21,815,419)</u>	<u>(1,494,228)</u>	<u>284,355</u>	<u>(18,278)</u>	<u>(23,043,570)</u>
Total capital assets being depreciated, net	<u>10,550,693</u>	<u>(172,197)</u>	<u>(28)</u>	<u>1,230,657</u>	<u>11,609,125</u>
Governmental activities, net	<u>\$ 16,914,518</u>	<u>\$ 707,928</u>	<u>\$ (28)</u>	<u>\$ 146,656</u>	<u>\$ 17,769,074</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

5. CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments / Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 1,484,161	\$ -	\$ -	\$ -	\$ 1,484,161
Construction in progress	<u>1,448,220</u>	<u>1,658,960</u>	<u>-</u>	<u>(528,412)</u>	<u>2,578,768</u>
Total capital assets not being depreciated	<u>2,932,381</u>	<u>1,658,960</u>	<u>-</u>	<u>(528,412)</u>	<u>4,062,929</u>
Capital assets being depreciated					
Buildings	3,581,455	-	-	-	3,581,455
Improvements other than buildings	46,007,040	559,971	-	528,412	47,095,423
Machinery and equipment	<u>4,962,400</u>	<u>394,671</u>	<u>(150,404)</u>	<u>(14,934)</u>	<u>5,191,733</u>
Total capital assets being depreciated	<u>54,550,895</u>	<u>954,642</u>	<u>(150,404)</u>	<u>513,478</u>	<u>55,868,611</u>
Less accumulated depreciation					
Buildings	(2,368,740)	(94,483)	-	9,724	(2,453,499)
Improvements other than buildings	(19,525,366)	(397,416)	-	(1,281,960)	(21,204,742)
Machinery and equipment	<u>(4,258,555)</u>	<u>(1,409,563)</u>	<u>150,404</u>	<u>1,290,514</u>	<u>(4,227,200)</u>
Total accumulated depreciation	<u>(26,152,661)</u>	<u>(1,901,462)</u>	<u>150,404</u>	<u>18,278</u>	<u>(27,885,441)</u>
Total capital assets being depreciated, net	<u>28,398,234</u>	<u>(946,820)</u>	<u>-</u>	<u>531,756</u>	<u>27,983,170</u>
Business-type activities, net	<u>\$ 31,330,615</u>	<u>\$ 712,140</u>	<u>\$ -</u>	<u>\$ 3,344</u>	<u>\$ 32,046,099</u>

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

Governmental activities	
General government	\$ 330,641
Public safety	474,929
Transportation	236,268
Culture and recreation	<u>452,390</u>
Total depreciation expense – governmental activities	<u>\$ 1,494,228</u>
Business-type activities	
Water and sewer	\$ 1,561,365
Sanitation	147,945
Non-major	<u>192,152</u>
Total depreciation expense – business-type activities	<u>\$ 1,901,462</u>

Construction Commitments

In March 2020, the City began construction on a major project to make improvements to the Thomas Branch basin and stormwater management system. The total cost of the contract with the construction company was \$1,103,397, which is primarily funded by a grant from the National Fish and Wildlife Foundation. At September 30, 2020, the remaining open costs on the construction contract were \$345,175. The project is expected to be completed in Summer 2023.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

5. CAPITAL ASSETS – CONTINUED

Donated Capital Assets

In May 2020, the Okaloosa County Board of County Commissioners (the County) deeded a parcel of land on Rocky Bayou Drive to the City to use as a park. The statutory deed states that in the event the parcel of land is not used as a park, all right, title, and interest in the parcel of land shall revert to the County. The estimated acquisition value of land was \$150,000, and the City began making improvements to the land and opened the park to the public in February 2021.

Adjustments and Transfers

Amounts reported in the adjustments and transfers column of the capital asset footnote are comprised of donated capital assets, construction in process assets placed in service during the current fiscal year, transfers of assets between governmental activities and business-type activities, and reclassifications of other amounts that have no effect on net capital assets reported in the statement of net position.

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, 2020, assets of the plan have a fair value of \$4,903,545. The City made matching contributions of \$47,410.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

7. DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM

All employees hired after October 2005 (October 2004 for police officers) are eligible to participate in the Florida Retirement System (FRS). Employees hired prior to October 2005 (October 2004 for police officers) have the option of participating in either the deferred compensation plan or FRS. As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, 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.

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.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Pension Plan – Continued

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.

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 an 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>2020</u>	<u>2019</u>	<u>2018</u>
Regular Class:	10.00%	8.47%	8.26%
Special Risk Class:	24.45%	25.48%	24.50%
Senior Management Class:	27.29%	25.41%	24.06%
DROP:	16.98%	14.60%	14.03%

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Pension Plan – Continued

Contributions – Continued

These employer contribution rates include 1.66% for HIS Plan subsidies for the periods October 1, 2017 through September 30, 2020. The City's contributions, including employee contributions, to the Pension Plan totaled \$874,614, \$833,528, and \$733,290 for the fiscal years ended September 30, 2020, 2019, and 2018, respectively.

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

At September 30, 2020, the City reported a liability of \$11,211,554 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, 2020, the City's proportionate share was 0.025867958%.

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$2,465,835. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 429,089	\$ -
Change of assumptions	2,029,648	-
Net difference between projected and actual earnings on pension plan investments	667,547	-
Changes in proportion and differences between City pension plan contributions and proportionate share of contributions	405,932	84,745
City pension plan contributions subsequent to the measurement date	228,475	-
	<u>\$ 3,760,691</u>	<u>\$ 84,745</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Pension Plan – Continued

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

A component of deferred outflows of resources related to the pension plan of \$228,475 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, 2021. 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	Amount
<u>September 30:</u>	
2021	\$ 768,189
2022	1,097,541
2023	914,815
2024	547,941
2025	118,985
	<u>\$ 3,447,471</u>

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 based table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of a 2014 actuarial experience study for the period July 1, 2013 through June 30, 2018.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Pension Plan – Continued

Actuarial Assumptions – Continued

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.20%	2.20%	1.20%
Fixed income	19.00%	3.00%	2.90%	3.50%
Global equity	54.20%	8.00%	6.70%	17.10%
Private equity	11.10%	10.80%	8.10%	25.70%
Strategic investments	4.40%	5.50%	5.30%	6.90%
Real estate	<u>10.30%</u>	6.40%	5.80%	11.70%
Total	<u>100.00%</u>			
Assumed inflation – mean			2.40%	1.70%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Pension 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 of 6.80%, 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:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's proportionate share of the net pension liability (asset)	\$ 17,902,968	\$ 11,211,554	\$ 5,622,856

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, 2020, 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
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020, 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 \$126,355, \$123,618, and \$114,918 for the fiscal years ended September 30, 2020, 2019, and 2018, respectively.

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

At September 30, 2020, the City reported a liability of \$2,671,177 for its proportionate share of the HIS Plan's net pension liability. At June 30, 2020, the City's proportionate share was 0.021877250%.

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

For the fiscal year ended September 30, 2020, the City recognized pension expense of \$266,891. In addition, the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109,267	\$ 2,061
Change of assumptions	287,228	155,318
Net difference between projected and actual earnings on pension plan investments	2,133	-
Changes in proportion and differences between City pension plan contributions and proportionate share of contributions	194,461	999
City pension plan contributions subsequent to the measurement date	31,514	-
	<u>\$ 624,603</u>	<u>\$ 158,378</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 \$31,514 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, 2021. 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:

Fiscal year ending	Amount
<u>September 30:</u>	
2021	\$ 117,821
2022	97,972
2023	53,800
2024	61,703
2025	62,360
Thereafter	<u>41,055</u>
	<u><u>\$ 434,711</u></u>

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	2.21%

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

Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that plan. The actuarial assumptions used in the July 1, 2020, valuation were based on certain results of the most recent experience study for the FRS Pension Plan.

Discount Rate

The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 2.21%, 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:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
City's proportionate share of the net pension liability (asset)	\$ 3,087,761	\$ 2,671,177	\$ 2,330,204

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.

Pension Expense

For the fiscal year ended September 30, 2020, the City recognized an aggregate pension expense of \$2,732,726 on all defined benefit pension plans.

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, 2020

Inactive plan members or beneficiaries currently receiving benefit payments	12
Inactive plan members entitled to but not yet receiving benefit payments	-
Active employees	156
	168

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Total OPEB Liability

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.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of October 1, 2019, using the following actuarial assumptions:

Prior measurement date	September 30, 2019
Measurement date	September 30, 2020
Valuation date	October 1, 2019 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	Fair value
Inflation	2.50% annually
Healthcare trend	5.50% annually until 2030, then 4.50%
Salary increase	3.00% annually
Prior discount rate	2.66%
Discount rate	2.21% 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
SEPTEMBER 30, 2020**

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

Total OPEB Liability – Continued

Actuarial Assumptions – Continued

Retirement age	Age 62 and 30 years of service, or for special risk employees age 55 and 25 years of service; or, for employees hired after July 1st, 2011, age 65 and 33 years of service, or for special risk employees age 60 and 30 years of service. Retirement is assumed to occur after 30 years of service, or initial eligibility if later.
Mortality	SOA RP-2014 Combined Mortality Table
Turnover	Age specific table with an average of 15% when applied to the active census.

Changes in Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balances at September 30, 2019	\$ 4,645,233	\$ -	\$ 4,645,233
Changes for the year:			
Service cost	112,911	-	112,911
Interest	125,065	-	125,065
Differences between expected and actual experience	31,970	-	31,970
Changes of assumptions	574,192	-	574,192
Benefit payments	(51,288)	-	(51,288)
Net changes	<u>792,850</u>	<u>-</u>	<u>792,850</u>
Balances at September 30, 2020	<u>\$ 5,438,083</u>	<u>\$ -</u>	<u>\$ 5,438,083</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Total OPEB Liability – Continued

Sensitivity of Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Total OPEB liability	\$ 6,485,853	\$ 5,438,083	\$ 4,615,515

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

	1% Decrease 4.50%	Current Healthcare Trend 5.50%	1% Increase 6.50%
Total OPEB liability	\$ 4,608,469	\$ 5,438,083	\$ 6,490,532

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

For the fiscal year ended September 30, 2020, the City recognized OPEB expense of \$355,873. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 595,288	\$ 40,030
Changes of assumptions	1,235,198	213,860
Total	\$ 1,830,486	\$ 253,890

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:

2021	\$ 117,897
2022	117,897
2023	117,897
2024	117,897
2025	117,897
Thereafter	987,111
	\$ 1,576,596

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 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 it has been accounted for in the Water and Sewer Fund. As of September 30, 2020, the City has recorded a prepaid asset of \$28,000 related to this lease.

Board of County Commissioners Lease

In 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, 2020, the City recognized \$13,000 of rental income from this lease in the General Fund.

Retail Office Space Lease

In April 2019, 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 2021 and allows for an additional one-year extension at the option of the lessee. The base monthly rent is \$1,537 plus applicable sales taxes. During the fiscal year ended September 30, 2020, the City recognized rental income of \$18,444 from this lease in the General Fund.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

11. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2020, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Governmental activities					
<i>Direct borrowings</i>					
Capital lease - fire truck	\$ 498,000	\$ -	\$ (121,000)	\$ 377,000	\$ 123,000
Capital leases - land	376,565	-	(376,565)	-	-
Capital lease - server upgrade	-	635,998	(137,662)	498,336	117,151
Capital lease - library generator	-	190,000	-	190,000	38,000
Commercial bank note - real property acquisition	-	315,000	-	315,000	63,000
<i>Other debt</i>					
Tax Increment Financing Revenue Bonds, Series 2019	600,000	-	(77,800)	522,200	80,200
Compensated absences	689,792	182,587	(155,767)	716,612	195,964
Total governmental activities	<u>\$ 2,164,357</u>	<u>\$ 1,323,585</u>	<u>\$ (868,794)</u>	<u>\$ 2,619,148</u>	<u>\$ 617,315</u>
Business-type activities					
<i>Direct borrowings</i>					
Florida DEP State Revolving Loan, 2002A	\$ 304,450	\$ -	\$ (1,061)	\$ 303,389	\$ -
Florida DEP State Revolving Loan, 2005A	282,861	-	(466)	282,395	-
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	1,437,972	-	(92,955)	1,345,017	95,646
Florida DEP State Revolving Loan, 2012	252,567	-	(18,760)	233,807	18,186
Florida DEP State Revolving Loan, 2015	273,810	-	(14,685)	259,125	15,101
Capital lease payable, 2013	568,000	-	(138,000)	430,000	141,000
<i>Other debt</i>					
Water and Sewer Revenue Refunding Bonds, Series 2011A, B, C	1,407,749	-	(360,323)	1,047,426	359,316
Water and Sewer Revenue Bonds, Series 2012A	260,000	-	(260,000)	-	-
Water and Sewer Revenue Bonds, Series 2012B	1,540,000	-	-	1,540,000	175,000
Water and Sewer Revenue Bonds, Series 2014	4,590,300	-	(363,200)	4,227,100	374,900
Compensated absences	194,547	71,741	(56,062)	210,226	50,091
Total business-type activities	<u>\$ 11,939,799</u>	<u>\$ 71,741</u>	<u>\$ (1,305,512)</u>	<u>\$ 10,706,028</u>	<u>\$ 1,229,240</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

Governmental Activities – Direct Borrowings

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 the event of default (non-payment), the lender may declare all unpaid principal to be immediately due and payable.

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 October 2019 totaling \$376,565. The City made the final balloon payment on the capital lease during the fiscal year, and no future payments are due on the lease.

In 2020, the City entered into a \$635,998 capital lease agreement for various equipment needed to perform a major upgrade to the City's network and servers. The lease requires annual payments of \$137,662 through January 2024, which includes interest at 4.12%. The lease is secured by the underlying equipment. In the event of default (non-payment), the lessor may repossess the leased equipment and terminate the lease.

In 2020, the City entered into a \$190,000 capital lease agreement for the purchase and installation of a generator at the Niceville Public Library. The lease bears interest at 1.95% and requires annual payments of principal plus interest of \$38,000 through September 2025. The lease is secured by the generator. In the event of default (non-payment), the lender may declare all installments payable until the end of the lease term to be immediately due and payable.

In 2020, the City obtained a commercial bank loan in the amount of \$315,000 to purchase two parcels of land on Armstrong Avenue for the Niceville Landing Project. The note bears interest at 1.95% and requires annual payments of principal plus interest of \$63,000 through September 2025. The note is secured by the real property acquired with the proceeds. In the event of default (non-payment), the lender may declare all unpaid principal and accrued interest on the note to be immediately due and payable.

The direct borrowing issuances discussed above do not contain any subjective acceleration clauses.

Governmental Activities – Other Debt

In 2019, the City issued \$600,000 Tax Increment Financing Revenue Bonds, Series 2019. The bonds have a fixed interest rate of 2.5% and mature on March 31, 2026. The bonds require semi-annual payments of principal and interest ranging from \$1,197 to \$95,391. The bonds are secured by non-ad valorem revenues of the City. The bond proceeds were utilized to purchase real property for the Niceville Landing Project. There are no significant finance-related consequences in the event of default or termination, and there are no subjective acceleration clauses.

CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

Business-Type Activities – Direct Borrowings

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. 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 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, 2020**

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

Business-Type Activities – Direct Borrowings – 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 2012, 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.

For the above direct borrowing issuances, the lender may notify financial market credit rating agencies, file suit for past due amounts, and accelerate repayment of unpaid principal to as much as 1.667 times the financing rate (3.333 times for the Series 2002A revolving loan) in the event of default (non-payment). The direct borrowing issuances discussed above do not contain any subjective acceleration clauses.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

Business-Type Activities – Direct Borrowings – Continued

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 meter reading equipment. In the event of default (non-payment), the lender may declare all installments payable until the end of the lease term to be immediately due and payable. The debt agreement does not contain any subjective acceleration clauses.

Business-Type Activities – Other Debt

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. These bonds were repaid in full during fiscal year 2020.

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 semi-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.

For the other debt issuances discussed above, there are no significant finance-related consequences in the event of default or termination, and there are no subjective acceleration clauses.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

11. LONG-TERM DEBT – CONTINUED

Pledged Revenues

The City has pledged certain revenues to repay certain bonds and notes outstanding as of September 30, 2020. 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.

Governmental Activities						
Debt Outstanding	Pledged Revenue	Current Year Total Pledged Revenue	Pledged Outstanding Principal & Interest	Estimated Revenue Percentage Pledged	Principal & Interest Paid	Maturity Calendar Year
Commercial bank note - real property acquisition	Non-ad valorem revenues	\$ 24,862,724	\$ 334,151	1%	\$ -	2025
Tax Increment Financing Revenue Bonds, Series 2019	Non-ad valorem revenues	\$ 24,862,724	\$ 563,151	2%	\$ 92,061	2026
Business-Type Activities						
Water & Sewer Revenue Refunding Bonds, Series 2011	Water & sewer revenues	\$ 8,724,834	\$ 1,196,201	14%	\$ 393,954	2031
Water & Sewer Revenue Bonds, Series 2012A	Water & sewer revenues	\$ 8,724,834	-	0%	\$ 262,353	2019
Water & Sewer Revenue Bonds, Series 2012B	Water & sewer revenues	\$ 8,724,834	\$ 1,749,573	20%	\$ 50,666	2027
Water & Sewer Revenue Bonds, Series 2014	Water & sewer revenues	\$ 8,724,834	\$ 4,856,133	56%	\$ 480,565	2030

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020, are as follows:

Governmental Activities						
Year ending September 30	Tax Increment Financing Revenue Bonds, Series 2019		Commercial Bank Notes Payable		Capital Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
	2021	\$ 80,200	\$ 12,217	\$ 63,000	\$ 6,688	\$ 278,151
2022	82,800	10,151	63,000	4,982	285,972	36,862
2023	85,500	8,018	63,000	3,737	292,993	25,567
2024	88,300	5,834	63,000	2,498	170,220	15,126
2025	91,200	3,540	63,000	1,246	38,000	5,460
2026-2030	94,200	1,191	-	-	-	1,191
Total	<u>\$ 522,200</u>	<u>\$ 40,951</u>	<u>\$ 315,000</u>	<u>\$ 19,151</u>	<u>\$ 1,065,336</u>	<u>\$ 132,764</u>

Business-Type Activities						
Year ending September 30	Water and Sewer Revenue Bonds		State Revolving Loans		Capital Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 909,216	\$ 208,325	\$ 128,933	\$ 94,850	\$ 141,000	\$ 7,612
2022	764,299	185,506	442,052	88,985	144,000	5,116
2023	618,725	161,947	478,774	75,515	145,000	2,566
2024	640,651	143,228	333,825	62,528	-	-
2025	652,133	125,912	342,786	54,644	-	-
2026-2030	3,116,811	347,860	1,147,004	145,591	-	-
2031-2035	112,691	23,329	377,902	17,473	-	-
Total	<u>\$ 6,814,526</u>	<u>\$ 1,196,107</u>	<u>\$ 3,251,276</u>	<u>\$ 539,586</u>	<u>\$ 430,000</u>	<u>\$ 15,294</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund transfers for the year ended September 30, 2020, is as follows:

Interfund Transfers		
Transfer Out Fund	Transfer In Fund	Amount
Water and Sewer	General	\$ 200,000
Sanitation	General	200,000
Stormwater	General	200,000
		\$ 600,000

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

13. ENCUMBRANCES

As of September 30, 2020, the amount of encumbrances outstanding in the General Fund was \$149,471. Encumbrances at year-end do not constitute expenditures or liabilities; therefore, they are not reflected in the statement of revenues, expenditures, and changes in fund balance.

14. EXPENDITURES IN EXCESS OF BUDGETED APPROPRIATIONS

The Discretionary Sales Tax Fund had an excess of expenditures over final budgeted appropriations for the year ending September 30, 2020 in the amount of \$283,263.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

15. GOVERNMENTAL FUND BALANCES

As of September 30, 2020, the City's governmental fund balances were classified as follows:

	<u>General Fund</u>	<u>CRA Fund</u>	<u>Discretionary Sales Tax Fund</u>	<u>Total Governmental Funds</u>
Nonspendable				
Inventory	\$ 11,069	\$ -	\$ -	\$ 11,069
Prepaid items	18,298	-	-	18,298
Total nonspendable	<u>29,367</u>	<u>-</u>	<u>-</u>	<u>29,367</u>
Restricted for				
Capital projects	296,328	-	-	296,328
Discretionary sales taxes	-	-	2,188,519	2,188,519
Law enforcement	56,425	-	-	56,425
Improvement districts	-	267,095	-	267,095
Total restricted	<u>352,753</u>	<u>267,095</u>	<u>2,188,519</u>	<u>2,808,367</u>
Assigned for				
Salaries and insurance	2,871,250	-	-	2,871,250
Capital projects and equipment	668,797	-	-	668,797
Other purposes	55,144	-	-	55,144
Total assigned	<u>3,595,191</u>	<u>-</u>	<u>-</u>	<u>3,595,191</u>
Unassigned	<u>2,096,362</u>	<u>-</u>	<u>-</u>	<u>2,096,362</u>
	<u>\$ 6,073,673</u>	<u>\$ 267,095</u>	<u>\$ 2,188,519</u>	<u>\$ 8,529,287</u>

16. 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, 2020**

16. 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 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 Public Infrastructure Project

In January 2020, the City entered into an agreement with a local property developer regarding the construction of a master pump station with larger force mains to increase sewer service capacity to the northeastern part of the City, and specifically, the Deer Moss Creek community. The estimated cost of the Rocky Bayou Master Pump Station and Force Main Project is \$1,050,000. Under the terms of the contract, the City is responsible for the construction of the master pump station and force mains, including handling all phases of bidding, contracting, and construction. The developer is responsible for half of the project costs to be satisfied through a combination of payment for the engineering design work and permitting for the master pump station, and the conveyance of not less than two acres of real property to the City. The assigned value for these parcels will be based upon an appraisal to be paid for by the developer, and the land will be used for the construction of a public water tower and other public facilities. As of September 30, 2020, construction was substantially complete on the Rocky Bayou Master Pump Station, but work had not yet started on the replacement of force main. In addition, no parcels of land were conveyed to the City before year-end. The developer has until January 2024 to transfer the land parcels to the City.

Fire Protection Services Agreement

In 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.

Health Pandemic (COVID-19)

In March 2020, the World Health Organization (WHO) declared the novel strain of the coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production of services across a range of industries, including but not limited to, tourism and travel. The extent of the impact of COVID-19 on the City's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on citizens, employees, vendors, and economical mitigation measures to be taken by federal and state government, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the City's financial condition or results of operations is uncertain and cannot be estimated.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

17. SUBSEQUENT EVENTS

Issuance of Non-Ad Valorem Revenue Notes

In March 2021, the City Council passed two ordinances to authorize the issuance of two separate non-ad valorem revenue notes (Series 2021A and 2021B) in the amounts of \$260,000 and \$435,000, respectively, to purchase certain properties for the Niceville Landing Project. As of the date of this report, the City has not completed the final closing on the notes, which is scheduled to be completed in April 2021.

Issuance of Water and Sewer Revenue Refunding Note

In March 2021, the City Council passed an ordinance to authorize the issuance of a Water and Sewer Revenue Refunding Note, Series 2021, in an amount up to \$10,000,000 to refund three outstanding bond issuances and six state revolving loans. As of the date of this report, the City has not completed the final closing on the note, which is scheduled to be completed in April 2021.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.025867958%	0.026268484%	0.024789488%	0.023997376%	0.022901996%	0.021050316%	0.020333011%
City's proportionate share of the net pension liability (asset)	\$ 11,211,554	\$ 9,046,500	\$ 7,466,722	\$ 7,098,263	\$ 5,782,772	\$ 2,718,932	\$ 1,240,613
City's covered payroll	\$ 7,854,292	\$ 7,649,639	\$ 7,040,335	\$ 6,536,239	\$ 6,199,965	\$ 5,942,512	\$ 5,500,317
City's proportionate share of the net pension liability as a percentage of its covered payroll	142.74%	118.26%	106.06%	108.60%	93.27%	45.75%	22.56%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	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 SEVEN YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.021877250%	0.021852314%	0.020670426%	0.019900400%	0.019153650%	0.018456270%	0.018096095%
City's proportionate share of the net pension liability (asset)	\$ 2,671,177	\$ 2,445,055	\$ 2,187,781	\$ 2,127,843	\$ 2,232,279	\$ 1,882,250	\$ 1,882,249
City's covered payroll	\$ 7,854,292	\$ 7,649,639	\$ 7,040,335	\$ 6,536,239	\$ 6,199,965	\$ 5,942,512	\$ 5,500,317
City's proportionate share of the net pension liability as a percentage of its covered payroll	34.01%	31.96%	31.07%	32.55%	36.00%	31.67%	34.22%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	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 SEVEN YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 874,614	\$ 833,528	\$ 733,290	\$ 657,296	\$ 558,502	\$ 513,225	\$ 445,379
Contributions in relation to the contractually required contribution	<u>(874,614)</u>	<u>(833,528)</u>	<u>(733,290)</u>	<u>(657,296)</u>	<u>(558,502)</u>	<u>(513,225)</u>	<u>(445,379)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered payroll	\$ 7,908,694	\$ 7,737,003	\$ 7,152,805	\$ 6,628,977	\$ 6,199,965	\$ 5,942,512	\$ 5,500,317
Contributions as a percentage of covered payroll	11.06%	10.77%	10.25%	9.92%	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 SEVEN YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 126,335	\$ 123,618	\$ 114,918	\$ 108,212	\$ 98,175	\$ 70,551	\$ 61,991
Contributions in relation to the contractually required contribution	<u>(126,335)</u>	<u>(123,618)</u>	<u>(114,918)</u>	<u>(108,212)</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>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 7,908,694	\$ 7,737,003	\$ 7,152,805	\$ 6,628,977	\$ 6,199,965	\$ 5,942,512	\$ 5,500,317
Contributions as a percentage of covered payroll	1.60%	1.60%	1.61%	1.63%	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

Reporting Date	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 112,911	\$ 50,294	\$ 63,444
Interest	125,065	130,768	120,185
Difference between expected and actual experience	31,970	629,461	(46,702)
Changes in assumptions and other inputs	574,192	798,250	(249,503)
Benefit payments	<u>(51,288)</u>	<u>(66,806)</u>	<u>(63,323)</u>
Net change in total OPEB liability	792,850	1,541,967	(175,899)
Total OPEB liability – beginning	<u>4,645,233</u>	<u>3,103,266</u>	<u>3,279,165</u>
Total OPEB liability – ending	<u>\$ 5,438,083</u>	<u>\$ 4,645,233</u>	<u>\$ 3,103,266</u>
 Covered Employee Payroll	 \$ 6,780,791	 \$ 6,247,940	 \$ 6,065,961
Total OPEB liability as a percentage of covered employee payroll	80.20%	74.35%	51.16%

* The discount rate decreased from 4.18% to 2.66% for the 9/30/2019 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, 2020**

	Balances October 1, 2019	Additions	Deletions	Balances September 30, 2020
Assets				
Cash and cash equivalents	\$ 387,149	\$ 14,663	\$ -	\$ 401,812
Other receivables	539	-	539	-
Total assets	<u>\$ 387,688</u>	<u>\$ 14,663</u>	<u>\$ 539</u>	<u>\$ 401,812</u>
Liabilities				
Due to scholarship recipients	\$ 387,688	\$ 14,124	\$ -	\$ 401,812
Total liabilities	<u>\$ 387,688</u>	<u>\$ 14,124</u>	<u>\$ -</u>	<u>\$ 401,812</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.*

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 12,180,124	\$ 11,784,102	\$ 12,275,357	\$ 14,074,830	\$ 13,903,053	\$ 14,363,252	\$ 15,207,976	\$ 15,728,306	\$ 15,439,953	\$ 15,924,538
Restricted	841,612	1,178,772	1,201,788	1,152,851	1,062,837	1,064,769	684,754	1,014,248	1,508,999	2,808,367
Unrestricted	4,085,883	4,204,645	4,150,172	4,190,750	1,219,064	678,378	631,361	(3,518,005)	(4,808,216)	(4,699,469)
Total governmental activities net position	\$ 17,107,619	\$ 17,167,519	\$ 17,627,317	\$ 19,418,431	\$ 16,184,954	\$ 16,106,399	\$ 16,524,091	\$ 13,224,549	\$ 12,140,736	\$ 14,033,436
Business-type activities										
Net investment in capital assets	\$ 14,958,258	\$ 12,324,428	\$ 13,870,612	\$ 16,027,076	\$ 17,295,135	\$ 16,180,483	\$ 17,605,104	\$ 19,189,187	\$ 19,715,526	\$ 21,668,627
Restricted	7,317,567	11,822,494	8,136,742	6,638,645	7,306,340	7,224,183	7,411,130	6,114,007	4,904,576	5,689,903
Unrestricted	8,249,906	9,147,017	13,397,377	14,631,975	14,103,277	17,027,172	17,057,595	18,509,566	20,792,999	20,577,271
Total business-type activities net position	\$ 30,525,731	\$ 33,293,939	\$ 35,404,731	\$ 37,297,696	\$ 38,704,752	\$ 40,431,838	\$ 42,073,829	\$ 43,812,760	\$ 45,413,101	\$ 47,935,801
Primary government										
Net investment in capital assets	\$ 27,138,382	\$ 24,108,530	\$ 26,145,969	\$ 30,101,906	\$ 31,198,188	\$ 30,543,735	\$ 32,813,080	\$ 34,917,493	\$ 35,155,479	\$ 37,593,165
Restricted	8,159,179	13,001,266	9,338,530	7,791,496	8,369,177	8,288,952	8,095,884	7,128,255	6,413,575	8,498,270
Unrestricted	12,335,789	13,351,662	17,547,549	18,822,725	15,322,341	17,705,550	17,688,956	14,991,561	15,984,783	15,877,802
Total primary government net position	\$ 47,633,350	\$ 50,461,458	\$ 53,032,048	\$ 56,716,127	\$ 54,889,706	\$ 56,538,237	\$ 58,597,920	\$ 57,037,309	\$ 57,553,837	\$ 61,969,237

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 - CONTINUED
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities										
General government	\$ 3,077,475	\$ 3,413,092	\$ 3,020,065	\$ 2,347,852	\$ 2,610,657	\$ 2,774,741	\$ 2,755,195	\$ 2,992,962	\$ 3,169,458	\$ 3,167,883
Public safety	2,673,711	2,806,190	2,978,101	3,158,636	3,344,371	3,726,238	4,220,756	4,775,056	5,509,655	5,715,864
Transportation	395,119	446,485	808,823	880,325	856,698	922,304	968,948	1,059,251	1,263,951	1,170,690
Internal services	-	-	-	632,591	622,187	692,131	713,115	782,061	909,510	879,893
Economic environment	-	-	-	-	-	-	22,172	405,888	162,098	92,929
Human services	50,540	50,540	50,315	56,000	82,245	57,256	56,000	56,000	55,998	57,681
Culture and recreation	2,321,253	2,296,560	2,370,249	2,294,223	2,377,996	2,721,034	2,840,973	3,032,663	3,466,779	3,626,752
Debt service interest	96,393	72,860	42,669	35,652	37,267	28,010	54,238	39,421	34,118	24,577
Total governmental activities expenses	8,614,491	9,085,727	9,270,222	9,405,279	9,931,421	10,921,714	11,631,397	13,143,302	14,571,567	14,736,269
Business-type activities										
Water and sewer	5,585,105	5,747,117	6,032,848	6,165,016	6,318,745	6,489,807	6,982,475	7,162,548	7,909,848	7,985,935
Sanitation	2,500,894	2,578,749	2,697,627	2,583,986	2,597,089	2,743,219	2,855,930	3,007,267	3,451,152	3,619,023
Stormwater utility	192,640	344,731	253,213	328,466	299,143	366,884	345,807	341,481	427,157	340,838
Total business-type activities expenses	8,278,639	8,670,597	8,983,688	9,077,468	9,214,977	9,599,910	10,184,212	10,511,296	11,788,157	11,945,796
Total primary government expenses	\$ 16,893,130	\$ 17,756,324	\$ 18,253,910	\$ 18,482,747	\$ 19,146,398	\$ 20,521,624	\$ 21,815,609	\$ 23,654,598	\$ 26,359,724	\$ 26,682,065
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	\$ 2,840,217	\$ 2,203,326
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 1,926,069	\$ 1,786,272	\$ 1,791,966	\$ 1,754,970	\$ 2,236,981	\$ 2,132,294	\$ 2,028,024	\$ 401,379	\$ 554,223	\$ 430,214
Public safety	172,630	212,032	287,408	200,564	232,715	256,596	241,625	275,395	306,182	358,485
Transportation	54,629	71,734	60,701	102,026	74,479	75,568	89,451	90,603	91,789	93,012
Culture and recreation	115,757	117,859	133,293	206,116	273,401	223,676	218,934	149,984	245,148	159,137
Operating grants and contributions	124,451	591,789	310,927	1,761,970	144,844	133,972	140,988	583,486	382,735	2,438,864
Capital grants and contributions	46,012	-	238,313	-	-	42,132	609,616	181,452	32,505	561,654
Total governmental activities program revenues	2,439,548	2,779,686	2,822,608	4,025,646	2,962,420	2,864,238	3,328,638	1,682,299	1,612,582	4,041,366
Business-type activities										
Charges for services										
Water and sewer	6,629,807	6,450,006	6,594,914	6,710,773	7,401,523	7,409,423	7,923,941	8,107,712	8,347,132	8,724,834
Sanitation	2,673,947	2,717,902	2,794,023	2,828,505	2,830,023	2,877,603	2,944,689	3,047,638	3,203,980	3,369,224
Stormwater utility management	413,062	425,818	444,198	453,029	465,594	470,757	475,500	481,849	484,803	492,335
Operating grants and contributions	101,436	233,285	388,678	353,962	498,401	61,030	-	94,973	234,994	-
Capital grants and contributions	669,740	756,433	1,099,718	860,527	965,859	882,622	813,541	1,781,570	1,173,115	1,828,540
Total business-type activities program revenues	10,487,992	10,583,444	11,321,531	11,206,796	12,161,400	11,701,435	12,157,671	13,513,742	13,444,024	14,414,933
Total primary government program revenues	\$ 12,927,540	\$ 13,363,130	\$ 14,144,139	\$ 15,232,442	\$ 15,123,820	\$ 14,565,673	\$ 15,486,309	\$ 15,196,041	\$ 15,056,606	\$ 18,456,299
Component Unit:										
Niceville-Valparaiso Regional Sewer Board, Inc.		\$ 1,885,623	\$ 5,893,094	\$ 2,936,250	\$ 3,033,767	\$ 2,242,986	\$ 2,145,182	\$ 2,681,981	\$ 3,112,972	\$ 2,115,371

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expenses) Revenues										
Governmental activities	\$ (6,174,943)	\$ (6,306,041)	\$ (6,447,614)	\$ (5,379,633)	\$ (6,969,001)	\$ (8,057,476)	\$ (8,302,759)	\$ (11,461,003)	\$ (12,958,985)	\$ (10,694,903)
Business-type activities	2,209,353	1,912,847	2,337,843	2,129,328	2,946,423	2,101,525	1,973,459	3,002,446	1,655,867	2,469,137
Total primary government net expense	<u>\$ (3,965,590)</u>	<u>\$ (4,393,194)</u>	<u>\$ (4,109,771)</u>	<u>\$ (3,250,305)</u>	<u>\$ (4,022,578)</u>	<u>\$ (5,955,951)</u>	<u>\$ (6,329,300)</u>	<u>\$ (8,458,557)</u>	<u>\$ (11,303,118)</u>	<u>\$ (8,225,766)</u>
Component Unit:										
Niceville-Valparaiso Regional Sewer Board, Inc.		\$ 280,770	\$ 4,278,946	\$ 1,163,976	\$ 941,930	\$ 27,836	\$ (410,016)	\$ 104,396	\$ 272,755	\$ (87,955)
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 2,644,601	\$ 2,662,471	\$ 2,780,076	\$ 2,911,635	\$ 3,099,280	\$ 3,313,938	\$ 3,485,119	\$ 3,694,760	\$ 3,948,230	\$ 4,193,588
Utility service taxes	1,783,238	1,771,278	1,812,978	1,889,457	1,961,807	1,990,813	2,039,441	2,159,118	2,170,933	2,276,026
Other taxes	-	-	-	-	-	-	-	3,395,591	4,521,288	4,793,023
Intergovernmental, unrestricted	1,617,858	1,696,042	1,759,660	1,875,288	1,991,998	2,093,101	2,207,084	588,797	632,484	615,607
Gain (loss) on disposal of asset	-	-	-	-	-	(89,387)	-	-	-	-
Miscellaneous	60,701	110,127	89,123	32,945	35,175	61,067	357,021	28,188	35,700	26,048
Investment earnings	47,069	26,023	25,575	21,422	18,644	19,389	31,786	42,245	100,488	83,311
Transfers	100,000	100,000	440,000	440,000	260,000	590,000	600,000	600,000	466,049	600,000
Total governmental activities	<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>	<u>11,875,172</u>	<u>12,587,603</u>
Business-type activities										
Miscellaneous	159,992	129,523	179,934	172,072	194,079	189,675	204,673	200,471	208,331	290,363
Contribution other govt-equity in joint venture	101,436	787,280	-	-	-	-	-	-	-	-
Investment earnings	53,529	38,558	33,015	28,565	38,314	25,886	63,859	67,941	202,192	363,200
Transfers	(100,000)	(100,000)	(440,000)	(440,000)	(260,000)	(590,000)	(600,000)	(600,000)	(466,049)	(600,000)
Total business-type activities	<u>214,957</u>	<u>855,361</u>	<u>(227,051)</u>	<u>(239,363)</u>	<u>(27,607)</u>	<u>(374,439)</u>	<u>(331,468)</u>	<u>(331,588)</u>	<u>(55,526)</u>	<u>53,563</u>
Total primary government	<u>\$ 6,468,424</u>	<u>\$ 7,221,302</u>	<u>\$ 6,680,361</u>	<u>\$ 6,931,384</u>	<u>\$ 7,339,297</u>	<u>\$ 7,604,482</u>	<u>\$ 8,388,983</u>	<u>\$ 10,177,111</u>	<u>\$ 11,819,646</u>	<u>\$ 12,641,166</u>
Niceville-Valparaiso Regional Sewer Board, Inc.										
Miscellaneous		\$ 7,740	\$ 7,740	\$ 7,740	\$ 7,740	\$ 8,563	\$ 162,506	\$ 2,597	\$ 2,318	\$ 10,213
Investment earnings		3,096	2,451	6,469	6,549	7,388	7,635	11,721	18,669	29,619
Total component unit		<u>\$ 10,836</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>	<u>\$ 20,987</u>	<u>\$ 39,832</u>
Change in Net Position										
Governmental activities	\$ 78,524	\$ 59,900	\$ 459,798	\$ 1,791,114	\$ 397,903	\$ (78,555)	\$ 417,692	\$ (952,304)	\$ (1,083,813)	\$ 1,892,700
Business-type activities	2,424,310	2,768,208	2,110,792	1,889,965	2,918,816	1,727,086	1,641,991	2,670,858	1,600,341	2,522,700
Total primary government	<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>	<u>\$ 516,528</u>	<u>\$ 4,415,400</u>
Niceville-Valparaiso Regional Sewer Board, Inc. (component unit)		<u>\$ 291,606</u>	<u>\$ 4,289,137</u>	<u>\$ 1,178,185</u>	<u>\$ 956,219</u>	<u>\$ 43,787</u>	<u>\$ (239,875)</u>	<u>\$ 118,714</u>	<u>\$ 293,742</u>	<u>\$ (48,123)</u>

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

	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Nonspendable	\$ 33,482	\$ 31,332	\$ 35,649	\$ 31,014	\$ 33,136	\$ 31,074	\$ 38,227	\$ 31,457	\$ 107,638	\$ 29,367
Restricted	841,612	1,178,772	1,201,788	1,152,851	1,062,837	1,064,769	684,754	938,443	305,552	352,753
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	3,291,427	3,595,191
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	686,933	2,096,362
Total General Fund	<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>	<u>\$ 4,391,550</u>	<u>\$ 6,073,673</u>
All other governmental funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,942	\$ 75,805	\$ 1,203,447	\$ 2,455,614
Unassigned	-	-	-	-	(16,454)	(5,220)	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,454)</u>	<u>\$ (5,220)</u>	<u>\$ 17,942</u>	<u>\$ 75,805</u>	<u>\$ 1,203,447</u>	<u>\$ 2,455,614</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)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 4,214,532	\$ 4,252,829	\$ 4,392,496	\$ 4,717,739	\$ 5,018,650	\$ 5,332,739	\$ 5,556,765	\$ 5,858,399	\$ 6,123,655	\$ 6,545,552
Licenses, fees and permits	1,390,147	1,324,796	1,333,336	1,432,316	1,541,487	1,589,181	1,475,460	1,585,374	1,606,540	1,577,483
Intergovernmental	2,215,508	2,682,401	2,722,671	3,959,862	2,432,978	2,502,446	3,217,005	3,330,631	4,143,278	6,894,930
Charges for services	598,464	575,712	622,706	523,554	626,246	749,793	746,501	646,977	899,734	681,517
Fines	66,593	73,740	104,113	58,791	58,323	54,123	62,782	62,794	64,071	46,999
Miscellaneous	107,764	136,149	114,704	345,155	391,643	114,264	111,276	106,823	184,427	132,488
Total revenues	8,593,008	9,045,627	9,290,026	11,037,417	10,069,327	10,342,546	11,169,789	11,590,998	13,021,705	15,878,969
Expenditures										
General government	1,846,324	2,128,281	1,986,068	1,970,831	2,263,689	2,381,166	2,301,918	2,406,166	2,717,205	2,752,279
Public safety	2,472,693	2,669,849	2,831,053	2,927,718	3,202,573	3,289,258	3,546,380	4,024,731	4,430,112	4,540,560
Transportation	256,304	313,490	674,068	729,349	712,648	733,453	751,360	802,110	950,055	838,185
Internal service	882,579	913,405	673,423	632,591	652,611	659,287	677,452	714,646	754,747	698,961
Economic environment	-	-	-	-	-	-	22,172	405,888	162,098	92,929
Human services	50,540	50,540	50,315	56,000	82,245	56,496	56,288	56,000	55,998	57,681
Culture and recreation	2,069,018	2,050,449	2,139,485	2,045,393	2,179,723	2,352,862	2,392,237	2,545,122	2,758,332	2,765,322
Capital outlay	708,775	430,209	1,008,443	2,647,021	475,283	1,933,106	2,079,639	1,541,904	1,421,136	2,202,156
Debt service										
Principal	565,000	-	331,150	411,119	412,538	445,300	620,421	554,013	607,844	713,027
Interest	96,393	72,860	42,669	35,652	37,267	28,010	54,238	39,421	34,118	24,577
Total expenditures	8,947,626	8,629,083	9,736,674	11,455,674	10,018,577	11,878,938	12,502,105	13,090,001	13,891,645	14,685,677
Excess of revenues over (under) expenditures	(354,618)	416,544	(446,648)	(418,257)	50,750	(1,536,392)	(1,332,316)	(1,499,003)	(869,940)	1,193,292
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	1,007,000	500,000	-	600,000	1,140,998
Proceeds from sale of capital assets	-	-	-	-	-	-	298,716	-	-	-
Proceeds from refunding	2,468,930	-	-	-	-	-	-	-	-	-
Retirement of debt	(2,325,000)	-	-	-	-	-	-	-	-	-
Transfers in	3,084,959	100,000	440,000	440,000	260,000	590,000	600,000	600,000	466,049	600,000
Transfers out	(2,984,959)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	243,930	100,000	440,000	440,000	260,000	1,597,000	1,398,716	600,000	1,066,049	1,740,998
Net changes in fund balances	\$ (110,688)	\$ 516,544	\$ (6,648)	\$ 21,743	\$ 310,750	\$ 60,608	\$ 66,400	\$ (899,003)	\$ 196,109	\$ 2,934,290
Debt service as a percentage of noncapital expenditures	8.03%	0.89%	4.28%	5.07%	4.71%	4.76%	6.47%	5.14%	5.15%	5.91%

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

Fiscal Year Ended September 30	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
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
2019	\$ 1,500,702,809	\$ 1,765,532,716	\$ 65,778,239	\$ 77,386,163	\$ 1,566,481,048	\$ 1,842,918,879	0.85	3.700
2020	\$ 1,598,297,787	\$ 1,880,350,337	\$ 64,675,918	\$ 76,089,315	\$ 1,662,973,705	\$ 1,956,439,652	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**

<u>Fiscal Year Ended September 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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%
2019	\$ 4,094,647	\$ 3,751,330	91.62%	654	\$ 3,751,984	91.63%
2020	\$ 4,351,272	\$ 3,973,759	91.32%	1,391	\$ 3,975,150	91.36%

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**

Fiscal Year	City Direct Rates			Overlapping Rates**	
	Operating Millage	Debt Service Millage	Total Direct	Okaloosa County	School District
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
2019	3.7000	-	3.7000	3.8308	6.2060
2020	3.7000	-	3.7000	3.8308	6.0350

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, 2020**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>City Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Okaloosa County School Board	\$ 15,157,000	19.71%	\$ 2,987,000
City direct debt:			
Tax Increment Financing Revenue Bonds, Series 2019	522,200	100.00%	522,200
Commercial loans	315,000	100.00%	315,000
Capital leases	<u>1,065,336</u>	100.00%	<u>1,065,336</u>
Subtotal Direct Debt	<u>1,902,536</u>		<u>1,902,536</u>
Total Direct and Overlapping Debt	<u><u>\$ 17,059,536</u></u>		<u><u>\$ 4,889,536</u></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
	Notes Payable	Sales Tax Refunding Bonds	Gas Tax Refunding Bonds	TIF Revenue Bonds	Capital Lease Payable	Water and Sewer Revenue Bonds	State Revolving Loans	Notes Payable	Capital Leases Payable			
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	3.32%	\$ 1,031
2019	\$ -	\$ -	\$ -	\$ 600,000	\$ 874,565	\$ 7,798,049	\$ 3,379,203	\$ -	\$ 568,000	\$ 13,219,817	3.56%	\$ 911
2020	\$ 315,000	\$ -	\$ -	\$ 522,200	\$ 1,065,336	\$ 6,814,526	\$ 3,251,276	\$ -	\$ 430,000	\$ 12,398,338	4.69%	\$ 828

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 Year	Water and Sewer Utility Charges	Less Operating Expenses	Net Available Revenue	Water and Sewer Revenue Bonds		State Revolving Loans		Notes Payable		Capital Leases		Total Coverage
				Debt Service		Debt Service		Debt Service		Principal	Interest	
				Principal	Interest	Principal	Interest	Principal	Interest			
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
2019	\$ 8,347,132	\$ 5,969,316	\$ 2,377,816	\$ 956,264	\$ 223,406	\$ 121,873	\$ 91,826	\$ -	\$ -	\$ 136,000	\$ 11,257	1.54
2020	\$ 8,724,834	\$ 6,075,236	\$ 2,649,598	\$ 983,523	\$ 204,015	\$ 127,927	\$ 96,722	\$ -	\$ -	\$ 138,000	\$ 8,832	1.70

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)

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Valparaiso Realty Company	\$ 18,992,850	1	1.51%	\$ 16,962,415	1	2.24%
Gulf Power Company	11,815,576	2	0.94%	6,811,806	3	0.90%
Ruckel Properties	10,589,000	3	0.84%	9,418,010	2	1.24%
Sunbelt Rentals #268	8,617,076	4	0.69%			
Sage Niceville Hospitality LLC	7,575,641	5	0.60%			
HCA Inc	6,433,079	6	0.51%	5,912,029	4	0.78%
VRC Crossing Rocky Bayou LLC	6,160,098	7	0.49%			
Walmart Stores East LP	5,924,883	8	0.47%	5,832,260	5	0.77%
Ruckel Properties Inc	5,491,460	9	0.44%	5,643,329	6	0.75%
H-Bay Ministries Inc	5,024,089	10	0.40%			
Mill Creek Village Inc				5,120,569	7	0.68%
Embarq Corporation				4,926,266	8	0.65%
Twin Cities Hospital				4,843,840	9	0.64%
Spence Brothers Properties Inc				3,404,927	10	0.45%
Total	\$ 86,623,752		6.90%	\$ 68,875,451		9.09%
Total Taxable Assessed Value of Other Taxpayers	\$ 1,168,720,733		93.10%	\$ 688,607,885		90.91%
Total Taxable Assessed Value	\$ 1,255,344,485		100.00%	\$ 757,483,336		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 Income*	Per Capita Personal Income	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
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%
2019	15,558	\$ 568,365	\$ 36,532	16	15,827	2.2%
2020	14,976	\$ 581,758	\$ 38,846	14	15,618	3.7%

*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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Physical arrests	540	419	367	412	367	343	450	515	503	377
Traffic violations	1,933	3,167	2,731	2,371	2,254	1,763	1,750	1,728	2,012	1,429
Fire										
Emergency responses	1,309	1,536	1,514	1,663	1,720	1,922	1,250	1,504	1,760	1,428
Inspections	303	350	439	506	350	150	365	328	538	96
Building										
Permits issued	452	624	1,991	1,775	1,818	1,430	1,165	1,436	1,208	1,454
Library										
Volumes in collection	69,100	71,266	73,294	74,370	77,144	76,069	78,867	73,565	75,959	75,561
Water										
New connections	89	124	148	123	128	104	96	113	104	148
Average daily consumption (thousands of gallons)	3,541	2,348	2,246	2,401	2,314	2,074	2,464	2,344	3,114	2,570

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
Executive	2	2	2	2	2	2	2	2	2	2
Financial and administrative	6	5	6	7	7	7	7	10	13	13
Planning	1	0	0	0	0	0	1	1	1	1
Building	3	3	2	2	2	2	3	3	3	3
Other	8	8	10	9	8	10	7	5	5	4
Public safety										
Police	30	30	29	32	32	32	31	34	39	36
Fire	11	11	11	13	16	16	16	19	22	21
Physical environment										
Other public works	15	14	10	10	15	14	14	14	15	15
Transportation	5	4	6	5	3	4	5	5	6	5
Culture and recreation										
Parks and recreation	17	17	17	18	20	20	23	26	31	29
Library	8	8	7	8	8	7	8	10	13	13
Water	16	16	16	17	18	19	17	16	16	16
Sanitation	10	10	9	9	11	11	10	10	12	12
Other	0	0	0	0	0	0	0	0	1	1
Total	132	128	125	132	142	144	144	155	179	171

Source: City Budget Office

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

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	24	22	25	25	25	23	30	37	39
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	76.1	78.3	78.6	80.2	80.5	81.0	81.0	81.8	74.9	75.9
Streetlights	1,701	1,710	1,726	1,837	1,802	1,812	1,815	1,815	1,815	1,815
Parks and recreation										
Acreage	118.9	118.9	118.9	118.9	116.9	287.7	287.7	287.7	289.6	291.2
Mini-parks	4	4	4	4	4	4	4	4	4	4
Neighborhood parks	8	8	8	8	8	5	5	5	5	5
Community parks	12	12	12	12	12	16	16	16	17	17
Other parks	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	126	126	126	126	126	126	126	131	137	137
Fire hydrants	693	693	715	729	732	762	769	772	792	798
Number of service connections	8,395	7,451	8,930	9,763	9,774	9,763	9,766	9,963	10,274	11,143
Storage capacity (thousands of gallons)	5,350	5,350	5,350	5,350	2,150	2,150	2,150	2,150	2,150	2,150
Wastewater										
Number of sanitary sewers	68	68	68	68	70	70	70	70	86	87
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	7,271	7,640	7,687	7,919	8,032	8,115	8,115	8,286	8,584	8,566
Storm sewers (miles)	36.0	36.0	36.0	36.0	33	34.9	34.9	31.5	32.0	32.0

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>Taxpayer</u>	<u>2020</u>			<u>2011</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Okaloosa County School District	3,449	1	3.81%			
Fort Walton Beach Medical Center	1,429	2	1.58%	812	4	0.86%
Walmart (Okaloosa County Combined)	1,400	3	1.55%			
Publix Supermarkets	972	4	1.07%			
Okaloosa County Board of County Commissioners	936	5	1.03%			
Lockheed Martin	875	6	0.97%	932	1	0.99%
Northwest Florida State College	734	7	0.81%			
Reliance Test and Technology LLC	697	8	0.77%			
Okaloosa Airport System	684	9	0.75%			
North Okaloosa Medical Center	570	10	0.63%			
L3 Communications / Crestview Aerospace				902	2	0.96%
DRS Training & Control Systems, LLC				837	3	0.89%
InDyne, Inc.				738	5	0.78%
Jacobs Technology - TEAS Group				700	6	0.74%
NEW, Inc.				526	7	0.56%
BAE Systems Technical Services				476	8	0.51%
Boeing SOF Aerospace Support Center				466	9	0.50%
White Wilson Medical Center				433	10	0.46%
Total	<u>11,746</u>		<u>12.96%</u>	<u>6,822</u>		<u>7.25%</u>
Total County Employment	<u>90,611</u> *			<u>94,070</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, 2020**

Source	Amount Received in the 2019-2020 Fiscal Year	Amount Expended in the 2019-2020 Fiscal Year
Gulf Coast Restoration Trust Fund: RESTORE Act ¹	<u>\$ -</u>	<u>\$ -</u>

¹ NOTE: This does not include funds related to the Deepwater Horizon Oil Spill that are considered federal awards. The schedule of expenditures of federal awards includes \$389,289 of expenditures of federal awards (included for CFDA #21.015) that are related to the Deepwater Horizon Oil Spill.



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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, 2020, and have issued our report thereon dated March 29, 2021, 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 the previous page 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
March 29, 2021

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Federal Agency Pass-Through Entity Federal Project	CFDA Number	Contract/Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Housing & Urban Development				
Indirect programs				
Pass-through from Florida Department of Economic Opportunity (FDEO)				
Community Development Block Grant	14.218	20DB-OO-01-56-02-H-02	\$ 62,599	\$ -
U.S. Department of Treasury				
Indirect programs				
Pass-through from Okaloosa County, Florida				
Resources and Ecosystem Sustainability, Tourist Opportunities, and Revived Economies (RESTORE) Act Grant	21.015	2019-R11	389,289	-
Pass-through from Florida Division of Emergency Management (FDEM) and Okaloosa County, Florida				
Coronavirus Aid, Relief, and Economic Security (CARES) Act Grant	21.019	SLT0050	2,186,140	-
			<u>2,575,429</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,638,028</u>	<u>\$ -</u>

CITY OF NICEVILLE, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Niceville, Florida (the City), under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. INDIRECT COST RATE

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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, 2020, 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 March 29, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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 questioned costs as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-003.

City of Niceville, Florida's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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
March 29, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council Members
City of Niceville, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Niceville, Florida, (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2020. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Warren Everett, LLC

Fort Walton Beach, Florida
March 29, 2021

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? X Yes _____ No
- Noncompliance material to financial statements noted? X Yes _____ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No

Type of auditors' report issued on compliance for major projects: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____ Yes X No

Identification of major programs:

Federal CFDA Number	Name of Federal Program
21.019	Coronavirus Aid, Relief, and Economic Security (CARES) Act

Dollar threshold used to distinguish between \$ 750,000

Auditee qualified as federal low-risk auditee? _____ Yes X No

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

II. FINANCIAL STATEMENT FINDINGS

FINDING 2020-001 – AUDITOR PROPOSED JOURNAL ENTRIES

Criteria

The City's internal control over financial reporting is designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct a material misstatement on a timely basis.

Condition

Audit adjustments were necessary to properly reflect account balances as follows:

- Adjustments to correct opening fund balances to match the prior year audited financial statements;
- Adjustments to properly state the worker's compensation insurance refund receivable at year-end;
- Adjustments to accrue unrecorded payables at year-end;
- Various adjustments related to capital assets as further described in finding 2020-002.

Cause

Certain accounts are not reviewed and reconciled on a monthly basis, which results in many adjusting entries being made only at year-end. Internal review performed by the City's finance personnel of the final trial balance provided to the auditors for inspection was inadequate, which resulted in the auditor proposed adjustments referenced above. Due to the volume of year end entries necessary to adjust the September 30, 2020 account balances, and the timeframe in which the Finance function has to accomplish the task, there is not sufficient time to accomplish a robust review of the final trial balances.

Effect

The auditors proposed material entries either individually or in the aggregate which were reviewed and accepted by management to correct certain account balances at September 30, 2020. The system of internal control over financial accounting and reporting is not functioning as intended.

Recommendation

City management should establish more effective review and reconciliation policies and procedures, as a customary part of the accounting process, to include recording adjustments throughout the year that have typically been recorded at year-end only and performing more frequent reviews of the general ledger throughout the year.

Management's Response

Management is in agreement with this finding. The Finance Department will update policies and procedures to ensure year-end accounting and financial reporting activities are performed on a timely basis with adequate review by qualified individuals.

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

FINDING 2020-002 – CAPITAL ASSET ACCOUNTING AND REPORTING

Criteria

The City's internal control over financial reporting is designed to allow for management and employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, a material misstatement on a timely basis.

Condition

Several adjustments were necessary as a result of audit procedures related to identifying and recording capital assets, which are summarized below:

- Adjustments to record capital asset additions that were misclassified as non-capital expenditures in the City's general ledger;
- Adjustments to record a parcel of land donated by Okaloosa County;
- Adjustments to record capital outlay for server upgrade equipment acquired via capital lease;
- Adjustments to accrue retainage on two construction projects that were in process at year-end;
- Adjustments to place various internally constructed assets in service and begin depreciating upon completion of the underlying projects;
- Adjustments to reconcile the capital asset subledger to the related general ledger balances.

Cause

Dissemination of financial data to finance personnel is critical in the financial reporting process. In some instances, relevant documentation required for accurate recording and reporting of capital expenditures is not provided to finance personnel in a timely manner. In addition, capital asset accounts are not reviewed and reconciled on an interim basis, which results in many adjusting entries that are made only at year-end. Due to the volume of year end entries necessary to adjust the September 30, 2020 capital asset balances, and the timeframe in which the Finance function has to accomplish the task, there is not sufficient time to accomplish a robust review of the capital asset reconciliation.

Effect

Significant audit adjustments were proposed to correct capital asset accounts for activity during fiscal year 2020. The system of internal control over financial accounting and reporting is not functioning as intended.

Recommendation

The City should ensure that capital asset reconciliation activities are performed and reviewed on a timely basis by appropriately experienced and trained personnel. In addition, we recommend that capital asset reconciliations should take place, at minimum, on a quarterly basis.

Management's Response

Management is in agreement with this finding. The Finance Department will update policies and procedures to ensure capital asset reconciliation activities are performed on a timely basis with adequate review by qualified individuals.

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

FINDING 2020-003 – ADOPTED BUDGET FOR DISCRETIONARY SALES TAX FUND

Criteria

Pursuant to Section 166.241(2), Florida Statutes, a municipality must adopt a budget for each fund, as required by law, which regulates its expenditures, and an officer of a municipal government may not expend or contract for expenditures in any fiscal year except pursuant to the adopted budget.

Condition

The City Council did not adopt a legal budget for the Discretionary Sales Tax Fund for the year ended September 30, 2020.

Cause

The City budgeted to fund the costs of the sidewalk extension project in the General Fund for fiscal year 2020. After the original budget was adopted, management later decided to use discretionary sales surtax proceeds to fund the project costs and transferred the related amounts to the General Fund. Under the GASB guidance, this transfer to the General Fund meets the definition of an interfund reimbursement. Specifically, repayments made by a special revenue fund should be reported as expenditures in that fund and should reduce expenditures in the recipient fund (General Fund). The City did not subsequently adopt or amend the budget for the Discretionary Sales Tax Fund to include this reallocation of capital expenditures.

Effect

The City is not in compliance with Section 166.241(2), Florida Statutes, for the year ended September 30, 2020.

Recommendation

The City should ensure that a budget is legally adopted (by ordinance) for each fund as part of its annual budgeting process.

Management's Response

Management is in agreement with this finding. The Council has legally adopted a budget for the Discretionary Sales Tax Fund for the fiscal year ending September 30, 2021.

**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, 2020:

- 1) Section 218.415, Florida Statutes, in regard to investments, and
- 2) Section 218.8018, Florida Statutes, in regard 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including the assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2020.



Fort Walton Beach, Florida
March 29, 2021

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 (the City), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 29, 2021.

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 29, 2021, 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. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority for the City has been disclosed in Note 1 to the financial statements. The City 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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.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 representations 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 communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations other than those discussed in the schedule of findings and questioned costs.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate 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, please see the schedule of findings and questioned costs.

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.



Fort Walton Beach, Florida
March 29, 2021