

MEMORANDUM

To: Mayor and City Council

From: Chris Pike, Finance Director on behalf of the Audit Committee

Date: October 12, 2015

Subject: **Approval of Contract for 2015-2019 External Auditor**

ITEM DESCRIPTION

Recommendation of the Audit Committee to Award Purchasing Contract 15-10 (Auditing Services) to Warren Averett, LLC.

BACKGROUND

Section 5.07 of the City charter (SB82) requires an annual independent audit of all city accounts, funds, and financial transactions by a certified public accountant selected by the city council. The audit shall be conducted according to generally accepted accounting principles. Any audit of any funds by the state or federal government may be accepted as satisfying the requirements of the charter. Copies of all audit reports shall be available at printing cost to the public. As a minimum, all audits and budgets of the city shall satisfy the requirements of Chapter 81 of Title 36 of the O.C.G.A. relating to local government audits and budgets. Pursuant to those requirements, the City issued a request for auditors to provide proposals to audit the City for five, one-year terms. In response to that request, six firms submitted proposals. The six firms, all evaluated with pricing, included (in alphabetical order):

- Bates, Carter & Co., LLP
- Carmichael, Brasher Tuvell & Company
- Carr, Riggs & Ingram, LLC
- Mauldin & Jenkins CPA, LLP
- Metcalf Davis
- Warren Averett, L.L.C.

Staff has reviewed and evaluated the technical proposals and for approach, proposed personnel, timeline, technical factors and price. All six were deemed responsive so the pricing proposals for all firms were considered. Staff would be comfortable with any of these top three firms as external auditors for Dunwoody. At that point, a separate pricing proposal was opened and considered.

The firms’ initial pricing proposed for five years, including fees to be billed and paid by the CVBD were:

•	Bates, Carter & Co., LLP	\$ 153,715
•	Carmichael, Brasher Tuvell & Company	\$ 116,436
•	Carr, Riggs & Ingram, LLC	\$ 142,500
•	Mauldin & Jenkins CPA, LLP	\$ 168,000
•	Metcalf Davis	\$ 140,000
•	Warren Averett, L.L.C.	\$ 137,340

The top three proposers all scored extremely high, as to be expected by staff based on their experience and reputations in the governmental accounting field. Those top three firms were Mauldin & Jenkins, Metcalf Davis, and Warren Averett, LLC.

At that point, the top three firms were invited for interviews and presentations. At the conclusion, each firm was invited to submit and clarifications to their technical proposals as well as update their pricing proposals based on the dialogue during the presentations. At our invitation, two firms submitted both updated pricing and technical proposals. The updated pricing proposals were:

•	Mauldin & Jenkins CPA, LLP	\$ 160,000
•	Warren Averett, L.L.C.	\$ 124,340

Factoring the technical and pricing scores, the overall score of the proposals were:

1.	Warren Averett, L.L.C.	515.651
2.	Mauldin & Jenkins CPA, LLP	514.823
3.	Metcalf Davis	497.654
4.	Carr, Riggs & Ingram, LLC	457.590
5.	Carmichael, Brasher Tuvell & Company	449.000
6.	Bates, Carter & Co., LLP	436.071

Staff’s and the Audit Committee’s opinion is that all of the top three firms proved extremely qualified to perform the services required. According, the Committee recommends that the following proposers be ranked in the order of: 1) Warren Averett, LLC; 2) Mauldin & Jenkins CPA, LLP; and 3) Metcalf Davis. The proposers were ranked on the criteria as outlined in the Request.

ALTERNATIVES

Council may choose to select a firm other than the one recommended by the Audit Committee.

RECOMMENDED ACTION

It is respectfully requested that Council approve an award to Warren Averett, LLC to provide external audit services for 2015 through 2019.



CPAs AND ADVISORS

LET'S THRIVE TOGETHER

PROPOSAL TO SERVE



August 7, 2015



Proposer

Warren Averett, LLC
Six Concourse Parkway, Suite 600
Atlanta, GA 30328

Submitted by

Cindy Ethridge, CPA, AMSF
Cindy.Ethridge@warrenaverett.com
770.393.6380



6 Concourse Parkway, Suite 600
Atlanta, GA 30328-5351
770.396.1100
warrenaverett.com

August 7, 2015

Purchasing Department
City of Dunwoody
41 Perimeter Center East, Suite 250
Dunwoody, GA 30346

Dear Purchasing Department,

We are pleased to provide our qualifications to perform the audit and compliance services for the City of Dunwoody (the City) for five consecutive fiscal years beginning with the fiscal year ended 2015 and ending with the fiscal year ended 2019. We understand that the audit is to be performed in accordance with auditing standards generally accepted in the United States, as well as Government Auditing Standards, and the Single Audit Act Amendments of 1996, and the Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments, if applicable. The deadlines specified in the RFP will be met.

Billy Daniels, the lead Partner assigned to this engagement, is responsible for the quality of the report and working papers. In addition, Carol Phillips, an audit Partner, is also responsible for performing a separate engagement quality control review (EQCR) as described in our Quality Control Document. Cindy Ethridge is the relationship Partner and is authorized to make representations for Warren Averett and to bind Warren Averett. Cindy can be reached at 770.393.6380, Six Concourse Parkway, Suite 600, Atlanta, GA 30328.

Warren Averett serves over 100 governmental clients in the Southeast. Our Firm is eager to expand its borders and bring this same success and value to the City of Dunwoody. Of the counties and cities we audit, there are total revenues exceeding \$2 billion and a population base totaling more than 1.6 million citizens. Our reputation is strong, as evidenced by Jefferson County, Alabama's decision to engage our Firm as its auditors while going through its difficult financial times in recent years. We have read the RFP, fully understand its content and believe we are the best choice to serve as the City's audit firm.

Warren Averett's Governmental Practice Group is second to none. It is one of the largest practice groups in the Firm and continues to grow. We employ over 60 auditors who are all "Yellow Book" qualified to serve our governmental clients. Our professionals are committed to providing you the highest level of service to meet your immediate and future needs. Inherent in our culture and our people is the promise to help you **THRIVE** and accomplish more of what is important to you.

Team Mindset. When you work with Warren Averett, you're a client of the Firm. That means you have more people with more experience looking out for you. This talent sharing mindset means you work with the Warren Averett team member who can make the most valuable contribution at the right time. Team members are selected for their knowledge, experience and understanding of requirements specific to governmental entities.

Hands on Approach. Warren Averett uniquely positions its leadership team as your key contacts, thus allowing for efficient use of your time and ensuring that you will have experienced personnel involved throughout the engagement. Our goal is to provide a high quality professional audit with superior service.



Solid Relationships. Business and personal relationships are the foundation of Warren Averett. Beyond the business fundamentals, we have a deep interest in understanding the City's structure and goals. We will become an extension of your team. We aim to be the absolute best at what we do, so the City can be the best at serving the City of Dunwoody residents.

Intense Client Focus. To us, intense client focus starts with the notion that we're in the relationship business. Yes, it's personal. But it goes beyond the personal trust factor to forward thinking advice.

We offer a sounding board for ideas, guidance for business improvement and connections where they count. In the end, we're a resource to help you take care of what is important.

Expertise with Value. An accounting relationship with Warren Averett offers an optimal mix of strong client service, superior technical expertise and proven value, at a fair price.

Effective Communications. Warren Averett will maintain ongoing communication with management throughout the year, not just during the audit or at year end. As one of our valued clients, you should expect and will receive, the highest level of technical expertise and timely response to your questions.

We hope the information enclosed offers you the insight needed to fully consider the advantages of establishing a relationship with Warren Averett as your service provider. Thank you for this opportunity, and we look forward to discussing any questions you may have about the proposal and our Firm. The City of Dunwoody would be an asset to our Firm, and we thank you for this opportunity.

Sincerely,

A handwritten signature in blue ink that reads 'Cindy Ethridge'.

Cindy Ethridge, CPA, AMSF



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Profile of the Proposer

Regional Firm: Warren Averett, LLC

Number of Years in Business: Our Atlanta office has provided accounting and auditing services in the State of Georgia for more than 35 years.

Address of Local Office: 6 Concourse Parkway, Suite 600, Atlanta, GA 30328

Primary Contact Person(s) at Local Office: Cindy Ethridge, CPA, AMSF – Partner
770.393.6380 | Cindy.Ethridge@warrenaverett.com

Number of Employees: Warren Averett has grown substantially over the years and operates now with over **850 employees**; including **340 CPAs** and **13 offices** across the Southeast.

Total Number of Local Professional Staff: **17** Partners, **2** Principals, **9** Senior Managers, **16** Managers and Supervisors, **6** Senior Associates and **5** Associates

Range of Services: Asset Management, Benefit Plan Design, Compensation Planning, Cost Segregation, Cyber Security, Daily Money Management, Disaster Recovery Planning, Employee Benefit Plan Audits, Enterprise Risk Management, Executive Search & Placement, Financial Outsourcing, Forensic Accounting, Health Care Reform, Internal Control Services, Litigation Support, Payroll, Performance Benchmarking, Profitability Enhancement, QuickBooks® Setup, Training & Support, Staffing & Recruiting, Stock Option Planning, Succession Planning, Technology Assessments, Consulting & Outsourcing, Transactional Services, Mergers & Acquisitions

Clients We Serve: Affordable Housing, Alternative Investments, Automotive Dealerships, Automotive Suppliers, Banks, Biotech & Technology, Broker Dealers, Colleges & Universities, Common Interest Realty Associations (CIRA), Construction, Dentists, Distressed Businesses, Distributors, Entrepreneurs, Foreign-Owned Entities, Foundations & Trusts, Franchises, Government Contractors, High Net Worth Individuals, Hospitals, Hotels, Insurance, Manufacturers, Municipalities, Natural Resources, Nonprofits, Nursing Homes, Physicians, Private Equity Firms, Professional Service Firms, Public Companies, Real Estate, Restaurants, Retailers, Retirement Plans, Transportation, Venture-Backed Entities and Wholesalers

Governmental Experience

A benefit of working with a regional accounting firm is that at Warren Averett you work with the Warren Averett team member who can make the most valuable contribution at the right time. Listed below are the most significant engagements performed by our Firm in the last three years that are similar to the audit engagement described in the City's RFP.

Client Name	Date	Financial Statement or CAFR	GFOA Certificate	Single Audit
Jefferson County, Alabama	2014	X		X
Alabama State University, Component Unit of the State of Alabama	2014	X		X
Alabama Housing Finance Authority, Component Unit of the State of Alabama	2014	X		X
City of Callaway, Florida	2014	X	X	X
Town of Cinco Bayou, Florida	2014	X		X
City of Evergreen, Alabama	2014	X		X
City of Foley, Alabama	2014	X	X	X
City of Gulf Breeze, Florida	2013	X	X	X
City of Mary Esther, Florida	2014	X	X	X
City of Milton, Florida	2014	X		X
City of Montgomery, Alabama	2013	X	X	X
City of Niceville, Florida	2014	X	X	X
City of Selma, Alabama	2014	X		X
Town of Shalimar, Florida	2014	X		X
City of Valparaiso, Florida	2014	X		X
Escambia County, Florida	2014	X	X	X
Santa Rosa County, Florida	2014	X	X	X
Okaloosa County, Florida	2014	X	X	X
Von Braun Center, Enterprise Fund City of Huntsville, Alabama	2014	X		
City of Gasden, Alabama	2014	x		x

Governmental Experience - *continued*

Number of audits for governmental units in which the Firm participated in the last three years:

Having 13 office locations throughout the Southeast, our depth and breadth of expertise is not bound to a single office location. Our governmental client base of more than 200 includes counties, cities, water and sewer systems, special districts and other agencies that receive state or federal funding whose audits fall under *Government Auditing Standards*. We assign the Warren Averett team member who can make the most valuable contribution at the right time. Team members are selected for their knowledge, experience and understanding of requirements specific to governmental entities.

Number of these that were Single Audits:

More than 150 of the Firm's governmental and nonprofit clients must have A-133 audits performed; therefore we are quite familiar with and knowledgeable about the various OMB Circulars that apply to these audits and with the OMB Compliance Supplement. We know that Federal and State grants are crucial to many of our clients' successes. Insuring continued compliance is essential when seeking to maintain or increase the level of government funding our clients receive. Our Firm uses its diversified experience in planning and conducting Federal and State single audits to help our clients better understand and maintain compliance with current and future grant programs. As a large firm, we also believe in the benefits of specialization, and our team members belong to dedicated industry groups within the Firm. All team members are trained to become experts within their assigned specialty, allowing us to assemble a team of governmental (GAO Yellow Book qualified) auditors.

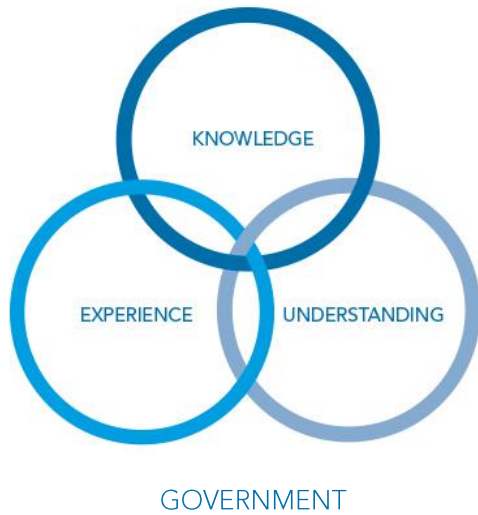
Number of CAFRs prepared for governmental units by the Firm in last three years:

The City of Dunwoody will benefit from our vast experience in helping similar entities with obtaining the GFOA Certificate of Achievement in Financial Reporting (CAFR). We currently audit more than 10 CAFRs annually. We welcome the opportunity to assist the City of Dunwoody with reporting and presentation matters that will enhance your ability to continue receiving the CAFR each year. Our membership in the AICPA Government Audit Quality Center will also be of great benefit if any unusual or complex CAFR matters are encountered. All of our clients seeking the CAFR have been successful in that endeavor.

Number of these which received GFOA Certificate of Achievement for Excellence in Financial Reporting.

We are proud to report that we have been 100 percent successful in obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting with all of our CAFR preparations.

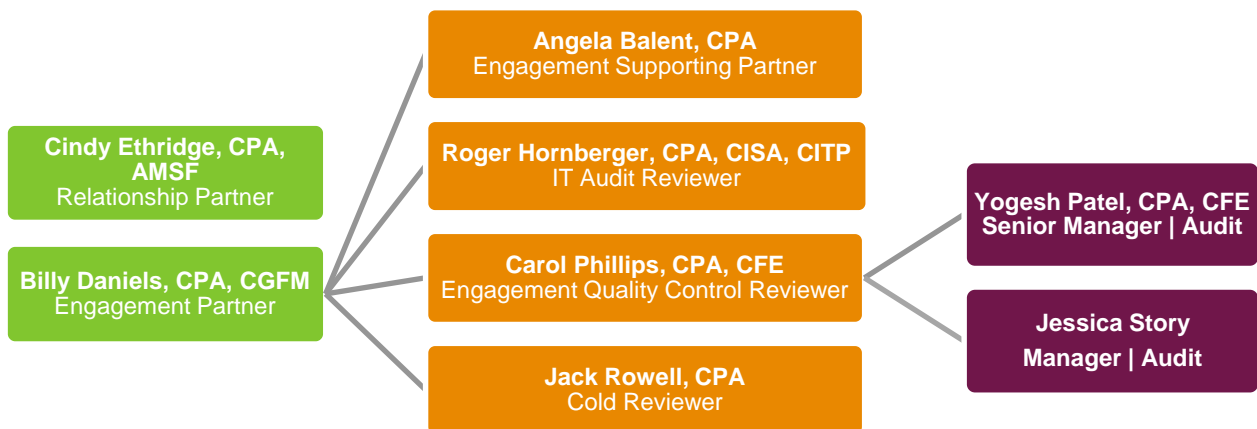
Engagement Team



At Warren Averett our goal is to have a thorough understanding of the City's operations, as that is the best way to bring value-added solutions to you. Open and frequent communication is encouraged and we will be available to meet regularly to keep up-to-date on your planning goals and development needs.

Our personnel approach utilizes client service executives to lead a qualified team of professionals. Team members are selected for their knowledge, experience and understanding of requirements specific to your industry. As one of our valued clients, you should expect, and will receive, the highest level of technical expertise and timely response to your questions. We will work closely with management to provide the requested services. We will be flexible and adjust our plans to meet your needs, as those needs change.

None of our Client Service Team leaders are subject to transfer, nor do we expect significant staff turnover, so you should expect great continuity in the service team on your account. Any controllable staffing changes will be discussed and agreed upon before changes take place.





CINDY ETHRIDGE, CPA, AMSF

Partner | [Relationship](#)

D 770.393.6380 | F 770.393.0319

6 Concourse Parkway, Suite 600 | Atlanta, GA 30328

Cindy.Ethridge@warrenaverett.com

Cindy Ethridge serves as the Regional Operations Director for the Atlanta office. She also leads the Nonprofit Industry Services Group. Cindy provides audit and consulting services to a wide variety of businesses, including manufacturers and distributors, medical practices and hospitality companies. Nonprofit clients are also a large part of her practice and include those focused on the arts, education, communities and families in need. As a result of her audit work across a large number of industries, Cindy has accumulated extensive experience in systems analysis, implementation of internal controls, financial statement audits, reviews and OMB A-133 audits. Cindy is also a member of the Firm’s Business Strategy Group, a consulting and facilitation practice that supports business and organizational leaders in achieving growth, profit and development objectives. The practice is powered by a global accredited solutions methodology program, Mindshop, through which Cindy is an accredited Mindshop facilitator (AMSF).

SOLID RELATIONSHIPS

Designations and Certifications

Certified Public Accountant

Areas of Special Emphasis

Strategic Facilitation, Profit Enhancement, Accounting Advisory Services, Alternative Investments, Employee Benefit Plan Audits, External Audit, Review and Assurance Services, Specialized Audits, Healthcare Practices, Hospitality, Nonprofits

Education

Bachelor of Science in Accounting
University of North Carolina, Chapel Hill, NC

CPE Credits in last 24 Months

Overall CPE Credits 179
Governmental CPE Credits 38

Professional Affiliations/Recognition

- Leadership Atlanta Class, 2014, *Womenetics* POW Award, 2011
- American Institute of Certified Public Accountants, Georgia Society of Certified Public Accountants
- Atlanta Habitat for Humanity, Board Member
- City of Refuge, Board Member

Sample of Nonprofit Expertise

Client Name	Type of Engagement	Capacity Served
Auburn University Foundation	Audit	Engagement Quality Control Reviewer
Atlanta Neighborhood Charter School	Audit	Partner
Southern Regional Education Board	Audit	Partner
Drew Charter School	Audit / Single Audit	Partner
East Lake Foundation	Audit	Partner



BILLY R. DANIELS, CPA, CGFM
 Partner | Engagement Partner

D 334.260.2353 | F 334.274.1500
 3815 Interstate Court | Montgomery, AL 36109
Billy.Daniels@warrenaverett.com

Billy Daniels joined the Firm in 1985 and is a leader within the Public Sector Practice Group. He currently devotes all of his time and specializes in the preparation and analysis of financial statements and conducting audits for governmental and not-for-profit organizations. Billy has more than 30 years of experience working with clients subject to the Single Audit under OMB A-133 requirements as well as the rules related to the Governmental Accounting Standards Board.

ENTREPRENEURSHIP

Professional Affiliations/Recognitions

- Association of Government Accountants
- Government Finance Officers Association
- Institute Internal Auditors
- American Institute of Certified Public Accountants
- Alabama Society of Certified Public Accountants

Designations and Certifications

Certified Public Accountant
 Certified Government Financial Manager
 Grant Manage Certification (Management Concepts)

Areas of Special Emphasis

External Audit and Consulting, Governmental Entities, Higher Education

Education

Bachelor of Arts in Accounting
 Huntingdon College, Montgomery, AL

CPE Credits in last 24 Months

Overall CPE Credits 157.5
 Governmental CPE Credits 80.5

Sample of Governmental Expertise

Client Name	Type of Engagement	Capacity Served
Alabama State University, Component Unit of the State of Alabama	Audit / Single Audit	Partner-in-Charge
City of Selma, Alabama	Audit / Single Audit	Partner-in-Charge
City of Evergreen, Alabama	Audit / Single Audit	Partner-in-Charge
City of Montgomery	Audit / CAFR	Partner-in-Charge
City of Gasden, AL	Audit / CAFR / Single Audit	Partner-in-Charge

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ANGELA D. BALENT, CPA

Partner | Engagement Supporting Partner

D 850.275.1224 | F 850.664.2562

45 Eglin Parkway, N.E., Suite 301 | Fort Walton Beach, FL 32549

Angela.Balent@warrenaverett.com

Angela Balent will serve as the Engagement Supporting Partner for the City audits. Angela joined the Firm in 1992 and is a Partner in the Firm’s Audit and Accounting Services Divisions. She has more than 20 years of experience in public accounting and specializes in audit and attest services, and serves as a leader for the Public Sector Practice Group. She has extensive experience with governments and nonprofit, Common Interest Realty Associations and construction and governmental contractors. She has served as a reviewer for the GFOA Certificate of Achievement program. Angela is a Certified Public Accountant in Florida.

**SOLID
RELATIONSHIPS**

Designations and Certifications

Certified Public Accountant

Areas of Special Emphasis

External Audit, Assurance Service, Accounting Services, Outsourced Services, Construction, Government Contractors, Government, Hospitality, Nonprofits

Education

Bachelor of Science in Business Administration

Bowling Green State University, Bowling Green, OH

CPE Credits in last 24 Months

Overall CPE Credits 148

Governmental CPE Credits 82

Professional Affiliations

- Economic Development Council of Okaloosa County, Chairman
- Emerald Coast Chapter of the Florida Institute of Certified Public Accountants, Past President
- Government Finance Officers Association, CAFR and PAFR Special Reviewer
- Florida Government Finance Officers Association, Conference Committee
- American Institute of Certified Public Accountants
- Florida Institute of Certified Public Accountants

Sample of Governmental Expertise

Client Name	Type of Engagement	Capacity Served
City of Callaway, Florida	Audit / CAFR	Partner-in-Charge
City of Valparaiso, Florida	Audit / Single Audit	Partner-in-Charge
Okaloosa County	Audit / CAFR	Partner-in-Charge
Town of Shalimar, Florida	Audit / Single Audit	Partner-in-Charge
Town of Cinco Bayou, Florida	Audit / Single Audit	Partner-in-Charge



ROGER HORNBERGER, CPA, CISA, CITP
Partner | IT Audit Reviewer

D 334.386.4830 | F 334.274.1500
 3815 Interstate Court | Montgomery, AL 36109
Roger.Hornberger@warrenaverett.com

Roger Hornberger joined the Firm in 1986 and has 25 years of public accounting experience, 20 years of financial systems consulting and 8 years of experience with Sarbanes Oxley compliance consulting. He specializes in IT audits, with an emphasis on internal controls and procedures. The implementation and support of Sage accounting software for the retail and manufacturing industry and industry specific software used in the Gas & Oil Industry are other areas of specialization. He also specializes in data conversion, software evaluation and custom development. Roger is a Certified Public Accountant, Certified Information Technology Professional and Certified Information Systems Auditor.

**INTENSE
 CLIENT FOCUS**

Designations and Certifications

Certified Public Accountant
 Certified Information Systems Auditor
 Certified Information Technology Professional

Areas of Special Emphasis

Technology Services, CFO Outsourcing, Information Technology Controls, Internal Control Examinations, Sarbanes-Oxley Compliance, Natural Resources, Retail

Education

Bachelor of Science in Business Admin
 Auburn University, Auburn, AL

Licensing

AL - 3905

Sample of Governmental Expertise

Client Name	Type of Engagement	Capacity Served
City of Montgomery, Alabama	Audit / CAFR	IT Audit Reviewer
Alabama State University, Component Unit of the State of Alabama	Audit / Single Audit	IT Audit Reviewer
Tuskegee University	Audit/Single Audit	IT Audit Reviewer
City of Gasden, AL	Audit / CAFR / Single Audit	IT Audit Reviewer



CAROL L. PHILLIPS, CPA, CFE
Partner | Engagement Quality Control Reviewer

D 205.769.3347 | F 205.979.6313
 2500 Acton Road | Birmingham, AL 35243
Carol.Phillips@warrenaverett.com

Carol Phillips joined Warren Averett in 2004 after serving with the Birmingham office of an international accounting firm for 17 years. Carol has extensive experience in coordinating, directing and supervising large governmental and not-for-profit audit engagements and in performing single audits. Carol oversees the majority of all governmental and higher education audit engagements for the Firm and serves as a leader for the Public Sector Practice Group. In addition, she has participated as an instructor in governmental accounting and audit programs at national and statewide conferences.

**INTEGRITY
 IN ALL WE DO**

Designations and Certifications

Certified Public Accountant
 Certified Fraud Examiner

Areas of Special Emphasis

Higher Education, Litigation Support, Accounting Advisory Services, External Audit, Review and Assurance Services, Specialized Audits, Government Contractors, Government, Nonprofits

Education

Bachelor of Science in Accounting
 University of Alabama at Birmingham,
 Birmingham, AL

CPE Credits in last 24 Months

Overall CPE Credits 290
 Governmental CPE Credits 128

Professional Affiliations

- Association of Certified Fraud Examiners
- American Institute of Certified Public Accountants
- Alabama Society of Certified Public Accountants

Community Involvement

- Shades Mountain Baptist Church, Finance Committee
- Alabama Symphony Orchestra, Board Member
- Vestavia Swim Association, Past Board Member
- UAB National Alumni Society, Past Board Member
- UAB Accounting and Finance Advisory Board Member

Sample of Governmental and Nonprofit Expertise

Client Name	Type of Engagement	Capacity Served
Jefferson County, Alabama	Audit / Single Audit	Partner-in-Charge
Southern Research Institute	Audit / Single Audit	Partner-in-Charge
Birmingham Water Works Board	Audit / Single Audit	Partner-in-Charge
Alabama State University, Component Unit of the State of Alabama	Audit / Single Audit	Technical Reviewer

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TEAM MINDSET

JACK ROWELL, CPA
 Partner | Cold Reviewer

D 850.444.7204 | F 850.435.2888
 316 South Baylen Street, Suite 300 | Pensacola, FL 32502
Jack.Rowell@warrenaverett.com

Jack Rowell has been with the Firm since 1980 and is a Partner in the Firm’s Audit Division. Jack has over 33 years of experience and has managed and supervised audits of large governmental entities representing over 110,000 total audit hours. Jack is an Audit Practice Leader for our Gulf Coast offices and over 80 percent of his client responsibilities rest with large governmental and nonprofit entities that file CAFRs and have significant federal and state funding. He also serves as a leader for the Public Sector Practice Group. Jack is viewed as one of the Firm’s leading experts in governmental accounting and auditing matters and routinely teaches training sessions to develop and improve the skills of the auditors that serve the Firm’s governmental clients. He has served as a reviewer for the GFOA Certificate of Achievement program. Jack recently taught three CPE courses entitled “Common Financial Reporting Pitfalls”, “Foundations in Governmental Accounting” and “Comprehending OMB A-133.”

Designations and Certifications

Certified Public Accountant

Areas of Special Emphasis

Accounting Advisory Services, External Audit, Review and Assurance Services, Construction, Government, Nonprofits, Real Estate, Retail

Education

Bachelor of Science in Accounting
 Troy University, Troy, AL

CPE Credits in last 24 Months

Overall CPE Credits 196
 Governmental CPE Credits 111

Professional Affiliations

- Government Finance Officers Association
- Florida Government Finance Officers Association
- American Institute of Certified Public Accountants
- Florida Institute of Certified Public Accountants

Sample of Governmental Expertise

Client Name	Type of Engagement	Capacity Served
City of Foley, Alabama	Audit/CAFR	Partner-in-Charge
Escambia County, Florida	Audit/CAFR	Partner-in-Charge
Santa Rosa County, Florida	Audit/CAFR	Partner-in-Charge

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YOGESH N. PATEL, CPA, CFE
Senior Manager | Audit

D 770.285.2686 | F 770.393.0319
 Six Concourse Parkway, Suite 600 | Atlanta, GA 30328
Yogesh.Patel@warrenaverett.com

Yogesh Patel joined Warren Averett LLC in 2004 and is a Senior Manager in the Audit Department. Yogesh has 11 years of professional experience. His industries of expertise include government, healthcare, nonprofit, manufacturing, distribution and construction. Yogesh specializes in the appropriate application of generally accepted accounting principles, financial statement audits, single audits and agreed upon procedures. Yogesh also has experience in forensic accounting and fraud examinations. Due to his expertise in auditing and accounting, he also serves as an instructor in the Firm's Audit Department.

**SHARING
OUR SUCCESS**

Designations and Certifications

Certified Public Accountant
 Certified Fraud Examiner

Areas of Special Emphasis

Forensic Accounting, Financial Statement Audits, Single Audits, Government, Healthcare

Education

Bachelor of Science in Accounting
 The University of Alabama at Birmingham, Birmingham, AL

Master of Accounting
 The University of Alabama at Birmingham, Birmingham, AL

CPE Credits in last 24 Months

Overall CPE Credits 144
 Governmental CPE Credits 61.5

Professional Affiliations

- Association of Certified Fraud Examiners
- American Institute of Certified Public Accountants
- Alabama Society of Certified Public Accountants
- Georgia Society of Certified Public Accountants

Sample of Governmental, Nonprofit & Healthcare Expertise

Client Name	Type of Engagement	Capacity Served
Jefferson County, Alabama	Audit/Single Audit	Manager
Camp Smile-A-Mile	Audit	Manager
The Community Foundation of Greater Birmingham	Audit	Manager
Children's Hospital of Alabama	Audit/Single Audit	Manager
University of Alabama Health Services Foundation	Audit/Single Audit	Manager



JESSICA STORY

Manager | **Audit**

D 770.393.6157 | F 770.393.0319
Six Concourse Parkway, Suite 600 | Atlanta, GA 30328
Jessica.Story@warrenaverett.com

Jessica Story joined Warren Averett in 2008 and is a Manager in the Firm’s Audit Division. She has more than seven years of public accounting experience. Jessica’s primary responsibilities include managing and overseeing audits, reviews and agreed upon procedure engagements.

Professional Affiliations

- American Institute of Certified Public Accountants
- Georgia Society of Certified Public Accountants



Areas of Special Emphasis
External Audits, Review Assurance Services, Specialized Audits, Nonprofits

Education
Bachelor of Business Administration
University of Georgia, Athens, GA
Master of Accountancy
University of Georgia, Athens, GA

CPE Credits in last 24 Months
Overall CPE Credits 126
Governmental CPE Credits 53.5

Sample of Nonprofit Expertise

Client Name	Type of Engagement	Capacity Served
Atlanta Neighborhood Charter School	Audit	Manager
East Lake Foundation	Audit	Manager
Jerusalem House	Audit / Single Audit	Manager
Drew Charter School, Inc.	Audit / Single Audit	Manager
Atlanta Community Food Bank	Audit / Single Audit	Manager

Work Plan

Audit Segment 1: Planning & Audit Risk Assessment

We estimate 20-25 percent of the audit can be completed before year-end. Ideally we would perform these procedures in June, and timing is subject to coordination with the City management. Typical “interim” procedures performed will be as follows:

- **Initial audit planning** – Soon after being selected as the audit Firm, we will begin discussions with your personnel about conducting the audit and develop a preliminary timeline and commitments schedule.
- **Initial planning sessions** – Conduct internal planning sessions required by SAS 99 and make applicable fraud inquiries and discuss any significant events or transactions. Assess federal awards and level of testing required. We will also discuss with management areas where we feel further testing is deemed necessary, or if they have specific areas of concern prior to finalizing our audit approach.
- **Understanding of internal controls** – Review internal control documents to include written policy, manuals and other information and conduct interviews to document our understanding of internal controls relative to financial statements and controls over grant programs.
- **Assessing audit risk** – Evaluate risks associated with the City’s operating environment and where your financial statements could be susceptible to material misstatement or fraud, while considering the controls you have in place to mitigate these risks.
- **Establishment of materiality** – When auditing governmental entities, Warren Averett has a specific approach for establishing materiality, focusing on total assets and total revenue, while evaluating areas historically susceptible to potential or actual errors.
- **Reporting and Disclosures** – Discuss effect of implementation of any new accounting pronouncements. Meet with the City personnel to determine any report formatting or note disclosure preferences.
- **Single Audit** – If an audit in accordance with the Single Audit Act is required, we will perform procedures during the planning phase to determine major programs, document and test internal controls over applicable compliance requirements within the laws and regulations.



Work Plan – continued

Audit Segment 2: Detailed Audit Testing & Procedures

After the books have been closed and all client-prepared schedules are completed, we will return to the field in February to perform the year-end account balance work. A detailed work plan and budget will be followed to ensure that our audit procedures are directed at items material to the financial statements. Procedures could include, but will not be limited to the following:

- **Substantive Procedures** – Perform test of details based on audit risk assessment through either substantive detail testing or analytical testing. When possible, we will utilize analytical procedures, such as reasonableness tests, trend analysis and predictive tests, to reduce substantive testing.
- **3rd Party Confirmations** – Utilize third party confirmations for cash, investments, receivables and revenues, as deemed necessary.
- **Data Analysis** – Warren Averett has a group of professionals dedicated to computerized auditing techniques and related data analysis. We use a variety of products to include IDEA, Monarch and ACL. This allows for more effective audits as using the specialized software we can quickly sort, filter and analyze multiple transactions in a population. These computerized auditing techniques allow us to identify anomalies, making it easier to focus in on areas of potential concern and drill down on those items that have the highest risk. Examples of uses of extraction and data analysis in our audit approach are as follows:
 - Summarize disbursements for a period by dollar range and compare to policy guidelines for approvals and signature requirements.
 - Check Register Listing for Search for Unrecorded Items or Checks Written during the year.
 - Bank or investment statement activity converted to excel. Provides a quick listing of deposits for an entire period/year.
 - Vendor File Tests convert vendor files to excel and compare to employee file with addresses for any similar or unusual items related to vendor files.
 - General Ledger Detail by account with all transactions listed, with a summary by Journal Entry Number for easier and more effective, consistent Journal Entry Testing Procedures. Includes completeness testing of all activity for the year compared to change in trial balance amounts from year to year.

We can also assist clients if they have internal uses for data extraction. We routinely assist clients with conversion of PDF information to excel files.

Through these procedures we will become intimately familiar with your operation. This familiarity will help us provide constructive recommendations for management's consideration. All team members will utilize laptop computers and set up a mini-network in the field in order to share electronic data files created as part of the audit.

Work Plan – continued

Audit Segment 3: Final Review

Near completion of field work, the necessary upward reviews including Partner and Manager level reviews will be performed in the field. This will allow for resolution of any review questions and permit a more timely completion of the audit. All preliminary audit adjustments and any audit findings which will appear in the report on compliance and internal control and in the management letter will be discussed in advance with client personnel. We utilize the Government Finance Officers Association (GFOA) checklist as a guide to ensure the CAFR complies with all accounting standards.

Audit Segment 4: Finalization

Once the exit meetings with management, the Finance Committee and/or Board are completed and the City approves the draft financial statements, we will proceed with final processing and release of the financial statements and single audit, if required. We will also solicit your feedback for ways to improve the audit process for the next fiscal year.

Audit Segment	Completion Date	Levels of Staff Assigned	Estimated Time
Planning and Interim Risk Assessment	December	Partner, Senior Manager and Manager	4 Days on site
Fieldwork – Detailed Audit Testing	February	Senior Manager, Senior and Staff	2 Weeks on site
Final Review and exit meetings	April	Partner and Senior Manager	2 Days
Final Report delivered	April	Partner and Senior Manager	

Work Plan – continued

a. **Sampling Techniques:**

We utilize sampling techniques whenever it will increase audit efficiency. For example, we use a sample to test cash disbursements for existence, valuation, allocation and authorization. For Single Audit testing, we will expand our testing to include allowable activities and costs and cash management. We may select samples for testing from other transaction classes like payroll or for testing account balance details like receivables. We use guidance from the American Institute of CPAs (AICPA) Audit Sampling Guide in determining our sampling plans. Generally we use a non-statistical sampling approach.

b. **Use of EDP Software:**

We have automated the audit process as much as possible using available technological resources. We use client portals, data extraction software, paperless audit software and Microsoft Word and Excel to make the audit as efficient as possible. We also try to reduce the interruption of management as much as possible by sending lists of items needed in advance, including template schedules.

c. **Analytical Procedures:**

Analytical procedures will be used for each significant balance in the financial statements. For each balance we will establish an expectation based on our understanding of the City's environment and any changes that have taken place during the year. We then compare the current year balances to the prior year and calculate ratios and obtain explanations for any results that do not meet our expectations.

d. **Internal Control:**

We will obtain a narrative and/or flowchart from the City's personnel for each significant process affecting financial reporting. We will read through these narratives and identify each of the key controls involved in the process. We will then walk through the process and request documentation to verify that the documented controls are in place and functioning as designed. We also provide an internal controls questionnaire for management to complete. Based on the results of our walkthroughs and internal controls questionnaire, we will identify controls that we can test to increase audit efficiency and reduce the level of substantive testing. We will also provide any recommendations for improvements noted during the process.

Work Plan – continued

e. **Laws and Regulations:**

In order to comply with generally accepted auditing standards, government auditing standards and OMB A-133, we are required to:

- 1) Design the audit to identify laws and regulations (including compliance with contracts and agreements) that might have a direct and material effect on the financial statements;
- 2) Test compliance with laws and regulations that could have a material effect on the financial statements; and
- 3) Test compliance with laws and regulations that could have a material effect on each major federal award program.

In order to identify the pertinent laws, regulations, contracts and agreements, we will perform the following:

- 1) Inquire of management regarding applicable laws, regulations, contracts and agreements;
- 2) Review the board and finance committee minutes;
- 3) Review the federal awards schedule to identify major federal award programs;
- 4) Review federal grants received and/or expended during the year; and
- 5) Review the Compliance Supplement sections related to major federal award programs.

Then we will assess the impact of the laws, regulations, contracts and agreements that were identified on the financial statements and major federal award programs. Generally we test controls over each key compliance area using multipurpose tests when possible. For example, our cash disbursements tests will not only cover attributes like account coding, authorization, valuation and cut off, but also allowability and cash management.

f. **Approach to be taken in drawing audit samples for purposes of tests of compliance:**

We utilize sampling techniques whenever it will increase audit efficiency. For example, we use a sample to test cash disbursements for existence, valuation, allocation and authorization. If a Single Audit is required, we will expand our testing to include allowable activities and costs and cash management. We may select samples for testing other transaction classes like payroll or for testing account balance details like receivables. In making sample size determinations, we use guidance from the AICPA Audit Sampling Guide.

g. **The City's intention is to have all processes completed and presented to Council by the 4th Monday in May of each year.**

Anticipated Audit Problems

Warren Averett, LLC will identify problem areas (if any), as we perform our risk assessment. As part of that risk assessment we document the accounting function and perform walk-throughs of specific transactions. Any recommendations will be communicated orally during our weekly audit status meeting. In addition they will be communicated in writing for management's review prior to release.

Communication throughout the year – Our client service approach focuses on candid and frequent communication with the City's management throughout the year. This approach fosters an active understanding of the City's strategic direction, particular business risks, control strengths and weaknesses, complex transactions and other significant matters pertaining to the audit cycle critical to audit quality.

Our goal in any engagement is the avoidance of issues and surprises. Our client service approach aims to eliminate, or significantly reduce, the likelihood that issues arise, and in the event that issues do arise, they are not surprises. We achieve this by establishing **open lines of communication** with management and accounting personnel at our clients and with Audit Committee and City Council members, as appropriate and as required by auditing standards, with Warren Averett executive-level team leadership.

Those same Warren Averett executive team leadership members will not only be available to our staff throughout all aspects of the engagement from planning the engagement to presenting our findings to the Audit Committee and/or City Council members, but will also be visible to client personnel as they are actively involved in all aspects of our engagements from start to finish. By being actively involved throughout the engagement, issues can be addressed and resolved on the front end so that surprises are avoided. Also, all communications to be delivered to the Audit Committee and/or City Council members such as management letters and required communications to those charged with governance will be presented in draft form to management prior to issuance to ensure that we have all the relevant facts and to get the input of management on those findings.

In addition to a planning meeting with the City at the beginning of the audit, Warren Averett will also conduct a post audit meeting. This meeting will focus on sharing what went well and how we can work better together in the next year. We believe in continuous improvement and building strong working relationships with our clients.

Prior Engagements

Our professionals are committed to providing close, personal attention to our clients. We encourage you to contact the references listed below. In speaking with these individuals, you can hear first-hand about our Firm's qualifications and client service. Similar audit engagements performed in the last three years:

Jefferson County, Alabama

Services: Audit

Dates of Service: 2006 - present

Engagement Partner: Carol Phillips

Total staff hours: 1,600

Client Contact Person: George Tablack, CFO

Telephone Number: 205.731.2903

City of Montgomery, Alabama*

Services: Audit, Single Audit and CAFR Prep

Dates of Service: 2011-2013; Mandatory 2 year rotation between Warren Averett since 1978.

Engagement Partner: Billy Daniels

Total staff hours: 1,500

Client Contact Person: Barry O. Crabb, Finance Director

Telephone Number: 334.625.2025

Okaloosa County, Florida*

Services: Audit, Single Audit and CAFR Prep

Dates of Service: 1979 - present

Engagement Partner: Angela Balent

Total staff hours: 1,200

Client Contact Person: Gary Stanford, Finance Director

Telephone Number: 850.689.5000 x 3411

Santa Rosa County, Florida*

Services: Audit, Single Audit and CAFR Prep

Dates of Service: 1984 - present

Engagement Partner: Jack Rowell

Total staff hours: 1,200

Client Contact Person: Hunter Walker, County Administrator

Telephone Number: 850.983.1855

**All of the listed entities participate and have been awarded the GFOA Certificate of Achievement in Excellence in Financial Reporting within the last two years.*

Extensive Education and Training

Warren Averett is committed to governmental auditing and financial reporting. This commitment is demonstrated through extensive education and training, our participation with local, state and national governmental finance organizations and our extensive experience serving governmental audit clients throughout the Southeast. This continued dedication is outlined below.

Warren Averett has been a trusted advisor and external auditor for state and local governmental entities for over 50 years and is one of the largest providers of audit, accounting and consulting services for governmental entities in the Southeast. We serve more than 80 local governmental entities and 9 state-wide governmental entities.

The Firm employs a full-time Learning Director and Regional Learning Coordinators who oversee the training and facilitation of educational opportunities for all professionals to insure they are properly trained in the industries and services in which they perform work.

Our Government Practice Group is a committed, knowledgeable team of trained professionals offering the hands-on experience and technical skills to serve your unique needs. We know and understand the issues that face governmental entities, and we have dedicated professionals who work hard to stay up-to-date on current and emerging issues. Warren Averett's Government Practice Group conducts periodic meetings to review industry trends, technical and regulatory updates and value added ideas relative to client strategies. We discuss industry insights and best practices that can be applied to the clients we serve. Our goal is to go beyond the traditional services and provide true value added benefit to our clients. We will offer the City our observations of the marketplace and keep Management apprised of key legislative and regulatory items that could impact your organization. Our memberships and active participation in the following professional groups solidifies our partnerships with governmental entities and insures the City will be served by individuals who are extremely knowledgeable in governmental accounting, financial reporting, auditing and OMB Single Audit matters.

- Alabama League of Municipalities (ALM)
- American Institute of Certified Public Accountants Governmental Audit Quality Center
- Association of Government Accountants (AGA)
- Florida Government Finance Officers Association (FGFOA)
- Friends of Georgia's Cities
- Government Finance Officers Association (GFOA)

Extensive Education and Training - *continued*

Our governmental experts also participate and lead educational courses related to governmental accounting and auditing. In January 2014, Jack Rowell and Angela Balent delivered presentations at a local chapter of the FGFOA on “Common Financial Reporting Pitfalls” and recently issued GASB pronouncements. Angela Balent has been a sought after speaker at the annual FGFOA conference and spoke at the annual conference in June 2014. Jack Rowell also presented a GASB update at the Mobile Chapter of the AGFOA in February 2014.

We apply various strategies and business-consulting services tailored to your specific needs, including:

- Governmental audits in accordance with OMB Circular A-133 and Government Audit Standards (Yellow-Book)
- Fraud prevention and internal control assessments
- Governmental accounting assistance
- Compliance requirements related to grants and cooperative agreements
- General accounting, budget and reconciliation assistance
- Operational policies and procedures analysis
- Grant advisory assistance

Requirements related to third parties

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Improving Accounting Procedures

Valuable Management Recommendations. Warren Averett will offer the City various recommendations over the course of our engagement and guidance for successful implementation. These recommendations might include, but will not be limited to: Information Technology (IT) control suggestions, an analysis of your benefit plan, advice regarding accounting issues, and administrative ideas to improve efficiency and accuracy in the accounting processes.

Sample Work

We have provided a copy of the City of Niceville's CAFR which demonstrates Warren Averett's performance on a government engagement comparable to the City of Dunwoody in our electronic version of this proposal. The PDF report is from 2014. Please contact us if additional information is required.

There is no additional information we wish to present.



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

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

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

FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

Prepared By:
Finance Department

Dan Doucet
City Clerk

**The City of Niceville, Florida
PRINCIPAL OFFICIALS
Year Ended September 30, 2014**

CITY COUNCIL 2013-2014

Judith Boudreaux

Daniel Henkel

Heath Rominger

Bill Schaetzle

Sal Nodjomian

CITY OFFICIALS

Mayor

Randall Wise

City Manager

Lannie Corbin

City Clerk

Dan Doucet

City Attorney

Dixie D. Powell

Director of Public Works

Bruce Price

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- **GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
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Lannie L. Corbin
City Manager



208 N. Partin Drive
Niceville, Florida 32578
Office: (850) 729-4008
Fax: (850) 729-4013

“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, 2014, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operation of the government. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

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

- *Introductory section* – includes this transmittal letter, a copy of the GFOA Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended September 30, 2013, and the City’s organizational chart of principal officials.
- *Financial section* – includes the Independent Auditor’s Report, Management’s Discussion and Analysis (MD&A), basic financial statements and the individual fund statement.
- *Statistical section (unaudited)* – presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the City’s overall financial health.
- *Compliance section* – includes the Schedule of Expenditures of State Financial Assistance, Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*, Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Report on Compliance for Each Major State Project and on Internal Control over Compliance Required by Chapter 10.550, *Rules of the Auditor General*, Schedule of Findings and Questioned Costs and the Management Letter.

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

CITY PROFILE

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

OKALOOSA COUNTY PROFILE

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

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

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

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

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

HISTORY

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

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

CLIMATE

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

NICEVILLE AND VALPARAISO - HISTORY AND FACTS

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The City of Niceville, Florida, is located in the northwestern “Panhandle” area of the state, approximately 60 miles east of Pensacola, in central Okaloosa County. It is adjacent to Eglin Air Force Base, the world’s largest military reservation and is the County’s largest employer which performs munitions development and testing. The Base has an economic impact on the area exceeding \$600,000,000 annually with numerous defense industry affiliated personnel in the area providing hi-tech resources for a number of businesses. Due to its geographic location combined with the presence of Eglin Air Force Base, the City has not experienced an economic recession in a measurable degree.

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

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

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

LABOR AND INDUSTRY

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

The Center, located on the Niceville campus, works closely with local economic development groups and the local Private Industry Council in providing customized training for new companies as well as in-house training for expanding firms. With its proximity to Interstate 10 and excellent connections to secondary roads, Okaloosa County is one day closer to most major markets than the rest of the state and can provide 24 hour or same day delivery to southeastern markets. Deep-water ports of Pensacola, Panama City and the Gulf Intercoastal Waterway provide competitive, convenient access to markets through barge traffic on the Apalachicola River.

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

EDUCATIONAL ACHIEVEMENTS

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

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

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

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

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

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

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



*Performing Arts Center at
Northwest Florida State College*

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



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

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

MAJOR INITIATIVES

Fire Insurance Classification

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

National Flood Insurance Program

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

Recreation Trails

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

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



Turkey Creek Nature Trail

Recreation Facilities

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

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



Children's Park

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

Niceville Library

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



Exterior of Niceville Library



Interior of Niceville Library

Niceville Community Center

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



Lion's Park

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

RECREATION/OPEN SPACE EXISTING NICEVILLE FACILITIES

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

DEPARTMENT FOCUS

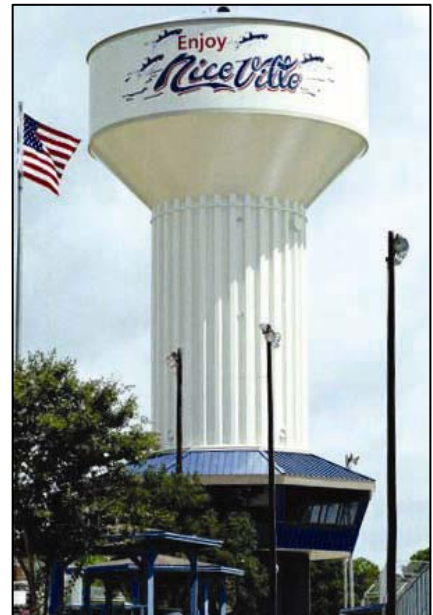
Although the City has designated departments within the organizational structure, we do not single out individual departments for recognition, but, view our organization as one unit. Under this team concept, we have expanded a soccer field complex into off-season utilization of two additional little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

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

FOR THE FUTURE

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

The City budgeted \$400,000 for a new lift station and \$75,000 to relocate another lift station and \$ 750,000 to complete the project for upgrading the Niceville/Valparaiso Regional Sewer System. Stormwater/drainage improvements are planned for Valparaiso Boulevard Drainage Swale improvements; Baptist Church Drainage & Vault Inspection; Juniper Ave; North Cedar Drainage Improvements; Kelly Road Outfall System Replacement; Dana Pointe/Dolphin Point Outfall Replacement; Pine Court Outfall Pipe Replacements; Pine Lake control Structure and Pipe; Roscommon Blvd & Rocky Bayou Road Drainage Improvements; and Palm Estates Pipe Replacement. The new City-Wide "Fixed Based Meter Reading System" is now operational which eliminates the practice of reading meters manually allowing all readings to be transmitted via the internet via a cellular back hall. Water meters are now read electronically which eliminates the need to employ meter readers. In addition, city personnel changed out over 130 large meters to make them compatible with the fixed based system. Plans include the resurfacing of several streets, and upgrading technology in City departments.



Cash Management

Surplus cash funds on hand from time to time during the year were invested in bank money market accounts or in certificates of deposit. The City's investment policy dictates that it minimizes the risk of loss while maintaining investments, which provide competitive yields. Accordingly, all investments were adequately insured by the Federal Deposit Insurance Corporation or were collateralized in accordance with Florida law. All deposits and investments met the lowest credit risk criteria as defined by the Governmental Accounting Standards Board.

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2013. 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 28th 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.

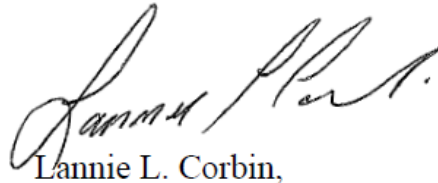
The City of Niceville also received the 2013 Community of Excellence Award given by the Northwest Florida League of Cities recognizing the value of the City of Niceville's "True Town Center".

Acknowledgments

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

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lannie L. Corbin".

Lannie L. Corbin,
City Manager

February 27, 2015



Government Finance Officers Association

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

Presented to

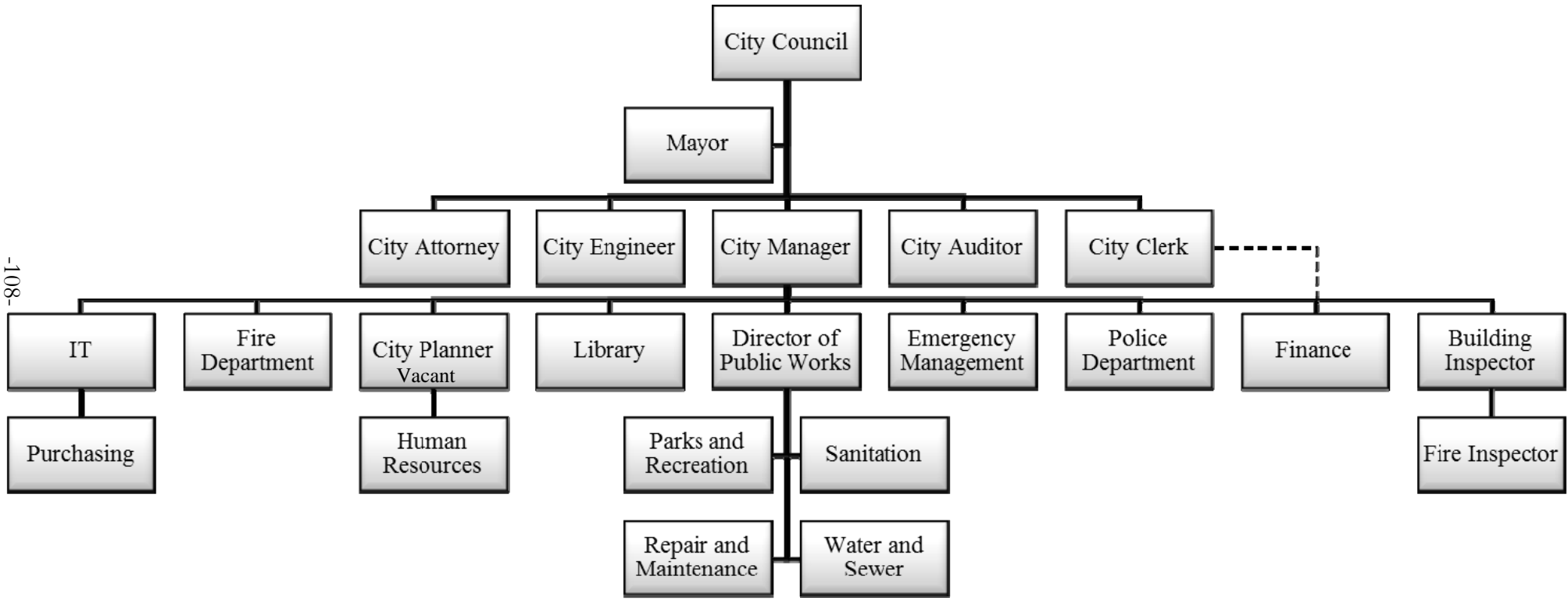
**City of Niceville
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

The City of Niceville, Florida
ORGANIZATIONAL CHART
Year Ended September 30, 2014



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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**

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Niceville, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Niceville, Florida, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary fund information for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Niceville, Florida's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance, as required by Chapter 10.550, *Rules of the Auditor General*, is presented for purposes of additional analysis 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.

The Introductory Section, Individual Fund Financial Statement, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Individual Fund Financial Statement is 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 Statements 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 February 27, 2015 on our consideration of the City of Niceville, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Niceville, Florida's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
February 27, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Niceville, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-xv of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by approximately \$57 million (net position), and represents an increase of \$3.6 million (or 6.8%) from the prior year. Of this amount, \$30.1 million represents investments in capital assets (e.g. land, construction in progress, infrastructure, building, machinery and equipment) less any related debt used to acquire these assets that is still outstanding, \$7.8 million is restricted for future obligations, and \$18.8 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The business-type activities increased \$1.9 million (or 5.3%), and the governmental activities increased \$1.7 million (or 9.8%) over prior year.
- The City's governmental fund reported ending fund balance of \$5.8 million, reflecting relatively no change from the prior year. Approximately \$2.9 million is restricted or assigned for specific purposes, and \$2.9 million (or 50%) of ending fund balance, is available for spending at the discretion of the City Council. This represents 30% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

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

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

FUNDS

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 21-25 of this report are the basic governmental fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains one governmental fund (General Fund). Information is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance, as it is considered a major fund. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided to demonstrate compliance with the budgets.

PROPRIETARY FUNDS

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

The City's major proprietary funds include water and sewer and sanitation. The City has one non-major proprietary fund, which represents stormwater utility management operations. Found on pages 26-30 of this report are the basic proprietary fund financial statements.

FIDUCIARY FUNDS

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

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 32 of this report are the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position, may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$57 million (net position) for the fiscal year ended 2014, as reported in Table 1.

By far the largest portion of the City's net position, \$30.1 million (or 53%) 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, 2014 AND 2013
(In Thousands of Dollars*)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 6,226	\$ 6,115	\$ 24,918	\$ 25,445	\$ 31,144	\$ 31,560
Capital assets	16,083	14,413	31,523	29,695	47,606	44,108
Total assets	22,309	20,528	56,441	55,140	78,750	75,668
Deferred Outflow of Resources						
Deferred charges on refunding	-	-	189	-	189	-
Total Deferred Outflow of Resources	-	-	189	-	189	-
Long-term liabilities outstanding	2,524	2,636	17,785	18,016	20,309	20,652
Other liabilities	345	265	1,551	1,718	1,896	1,983
Total liabilities	2,869	2,901	19,336	19,734	22,205	22,635
Deferred Inflow of Resources						
Local business taxes paid in advance	21	-	-	-	21	-
Total Deferred Inflow of Resources	21	-	-	-	21	-
Net position						
Net investment in capital assets	14,075	12,275	16,027	13,871	30,102	26,146
Restricted	1,153	1,202	6,636	8,137	7,788	9,339
Unrestricted	4,191	4,150	14,632	13,397	18,823	17,547
Total net position	\$ 19,419	\$ 17,627	\$ 37,294	\$ 35,405	\$ 56,713	\$ 53,032

An additional portion of the City's net position, \$7.8 million (or 13.7%), represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$18.8 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The overall increase in the City's net position was \$3.6 million (or 6.8%) during fiscal year 2014. Governmental activities account for 47.7% of this increase, resulting from increases primarily in grant funding. Business-type activities account for 52.3% of the increase primarily due to increases in utility rates for water and sewer services.

GOVERNMENTAL ACTIVITIES

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

Table 2
City of Niceville, Florida
CHANGE IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues						
Charges for services	\$ 2,263,676	\$ 2,273,368	\$ 9,992,307	\$ 9,833,135	\$ 12,255,983	\$ 12,106,503
Operating grants and contributions	1,761,970	310,927	-	-	1,761,970	310,927
Capital grants and contributions	-	238,313	860,527	1,099,718	860,527	1,338,031
General revenues						
Property taxes	2,911,635	2,780,076	-	-	2,911,635	2,780,076
Other taxes	3,764,745	3,572,638	-	-	3,764,745	3,572,638
Other revenue	54,367	114,698	554,599	601,627	608,966	716,325
TOTAL REVENUES	10,756,393	9,290,020	11,407,433	11,534,480	22,163,826	20,824,500
EXPENSES						
Primary government						
General government	2,347,852	2,346,242	-	-	2,347,852	2,346,242
Public safety	3,158,636	2,978,101	-	-	3,158,636	2,978,101
Transportation	880,325	808,823	-	-	880,325	808,823
Internal services	632,591	673,823	-	-	632,591	673,823
Human services	56,000	50,315	-	-	56,000	50,315
Culture and recreation	2,294,223	2,370,249	-	-	2,294,223	2,370,249
Debt service interest and fees	35,652	42,669	-	-	35,652	42,669
Business-type activities						
Water and sewer	-	-	6,165,016	6,032,848	6,165,016	6,032,848
Sanitation	-	-	2,583,986	2,697,627	2,583,986	2,697,627
Stormwater	-	-	328,466	253,213	328,466	253,213
TOTAL EXPENSES	9,405,279	9,270,222	9,077,468	8,983,688	18,482,747	18,253,910
Increase (decrease) in net position before transfers	1,351,114	19,798	2,329,965	2,550,792	3,681,079	2,570,590
Transfers	440,000	440,000	(440,000)	(440,000)	-	-
Increase (decrease) in net position	1,791,114	459,798	1,889,965	2,110,792	3,681,079	2,570,590
NET POSITION BEGINNING	17,627,317	17,167,519	35,404,731	33,293,939	53,032,048	50,461,458
NET POSITION ENDING	\$ 19,418,431	\$ 17,627,317	\$ 37,294,696	\$ 35,404,731	\$ 56,713,127	\$ 53,032,048

FINANCIAL IMPACTS

NORMAL IMPACTS

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

Revenues

- **Economic Condition:** This can reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, gas or other tax revenue.
- **Council Approved Rate Adjustments:** While certain tax rates are set by statute, the City Council has significant authority to impose and periodically adjust rates (water, wastewater, impact fees, recreation user fees, etc.).
- **Changing Patterns in Intergovernmental Grant Revenue (both recurring and non-recurring):** Certain recurring revenues (state revenue sharing) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.
- **Market Impacts on Investment Income:** The current market conditions have a significant influence on the City's investment income causing it to fluctuate greatly.

Expenses

- **Introduction of New Programs:** Within functional expense categories (police, fire, public works, community development, parks and recreation, etc.), individual programs may be added or deleted to meet changing community needs.
- **Authorized Position Adjustments:** Changes in service demand may cause the City Council to change authorized staffing. Staffing costs (salary and related benefits) represent 45% of the City's operating expenses.
- **Salary Adjustments:** The ability to attract and retain human and intellectual resources requires the City to strive for a competitive salary range position in the marketplace.
- **Inflation:** While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as paper, chemicals, supplies, fuel, oil and parts. Some fluctuations may experience commodity specific increases.

Current Year Impacts - Governmental Activities

- Operating grants and contributions increased \$1.5 million. The City received \$1.25 million in grant funding from the Florida Department of Environmental Protection (FDEP) and \$395 thousand in contributions from the United States Air Force (USAF) for the acquisition of land related to the City's Turkey Creek Expansion Project, to include conserving natural resources and resolving land use conflicts.

- Capital grants and contributions decreased \$238 thousand. The City received grant funding from the Department of Homeland Security under a Port Infrastructure Security program for the purchase of a fire boat for the City's fire department of which most was received in the prior year.
- Property tax revenues increased \$132 thousand from increased collection of current year and delinquent property taxes received in the current year.
- Other taxes increased \$192 thousand, which was primarily due to an overall improvement in Florida's economy resulting in an increase in taxes collected from patrons and remitted to the City.
- Other revenues decreased by \$61 thousand, mostly attributable to a decrease in donations/contributions from the public to the City's library, fire impact, and fireworks display.
- Public Safety expenses increased \$180 thousand, which is the result of an increase in the City's required contribution to the Florida Retirement System and depreciation of public safety property and equipment.
- Transportation expenses increased \$72 thousand which is primarily due to increased payroll and retirement expenses. The City evaluated the allocation of transportation expenses in 2014 to better match services efforts by City personnel on transportation related projects. Those costs were previously included in the Sanitation Fund.

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

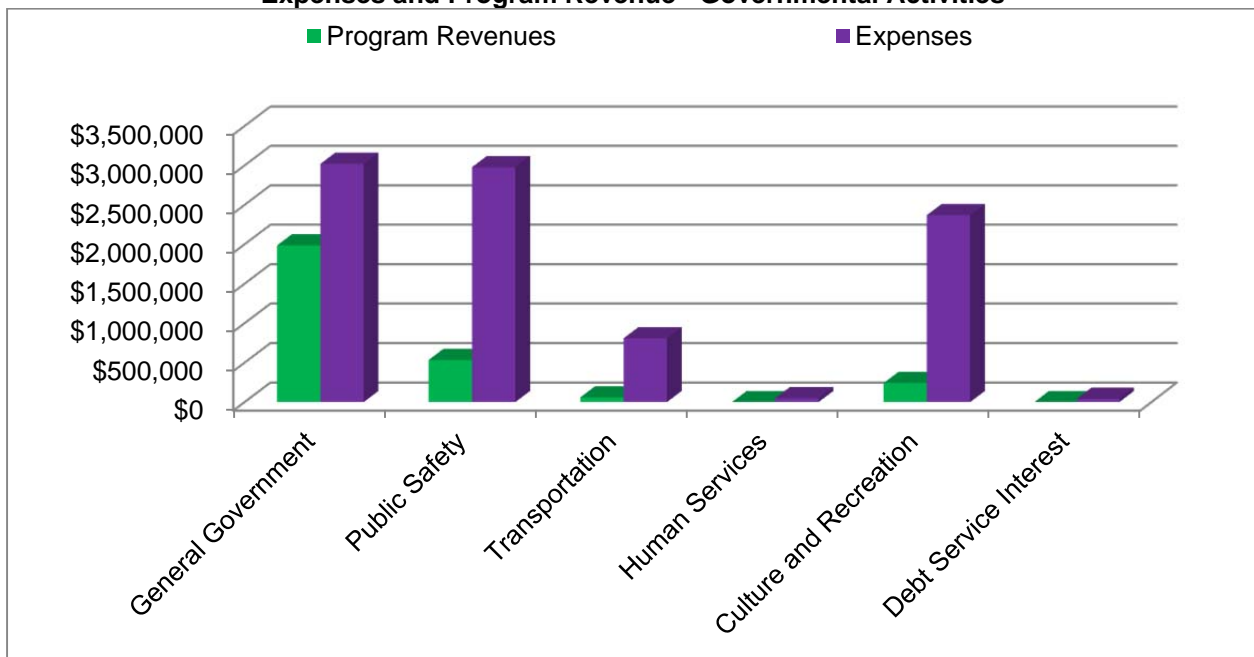
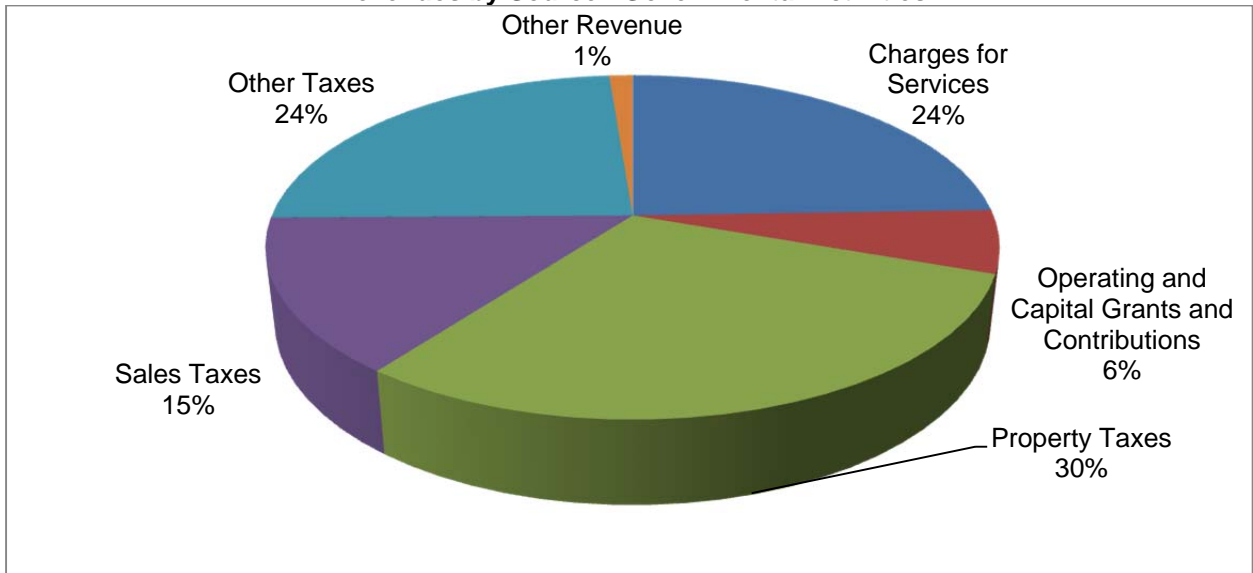


Chart 2
Revenues by Source - Governmental Activities



Current Year Impacts – Business-Type Activities

- The net position of business-type activities increased \$1.9 million (or 5.3%)
- Charges for services for business-type activities increased by \$159 thousand, primarily due to increased operating revenue from water and sewer services as a result of rate increases in the current year.
- Capital grants and contributions decreased \$239 thousand, primarily due to a decrease in contributions from water and sewer impact fees.
- Water and sewer expenses increased \$132 thousand mostly from increased payroll, other operating expenses, and depreciation.
- Sanitation expenses decreased by \$113 thousand mostly attributable to a decrease in salaries and the change in allocation of transportation expenses in 2014, which resulted in a reduction in transportation costs recognized in the Sanitation fund as noted previously.

Chart 3
Expense and Program Revenue - Business-Type Activities

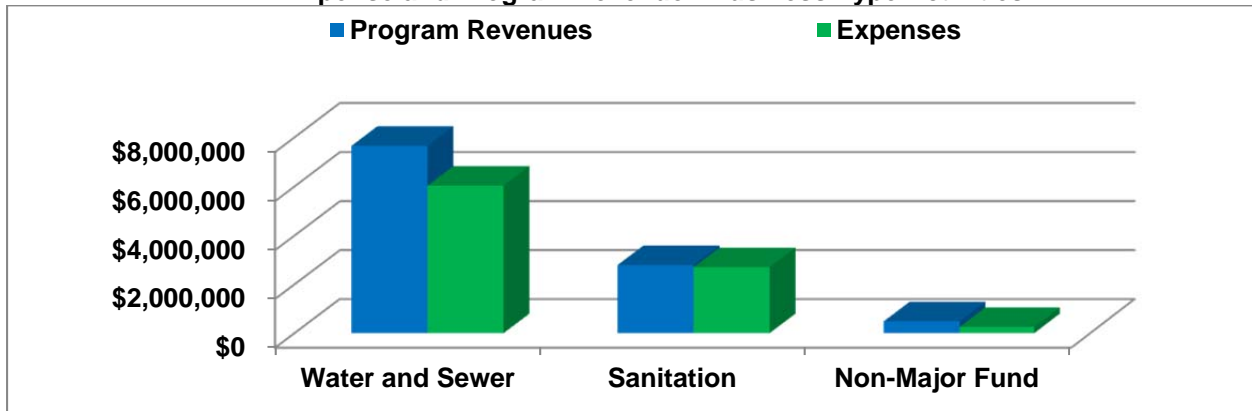
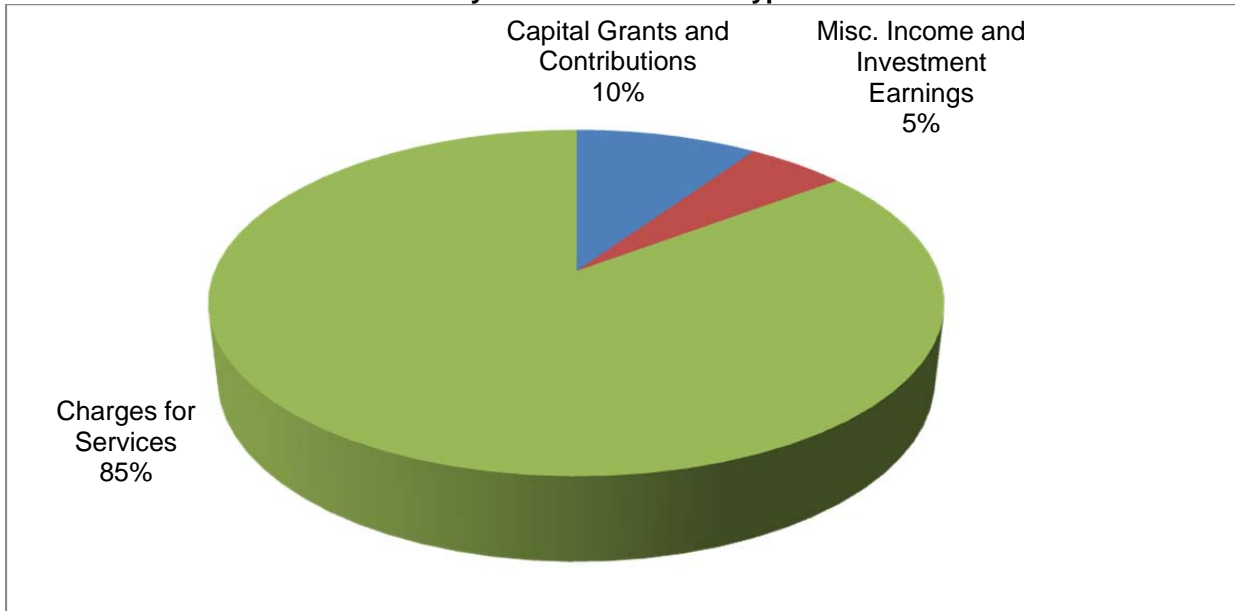


Chart 4
Revenues by Source - Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

GOVERNMENTAL FUND

The focus of the City's governmental fund 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 fund reported ending fund balance of \$5.8 million, a \$22 thousand increase in comparison with the prior year. Approximately \$2.9 million of fund balance (or 50%) constitutes unrestricted/unassigned fund balance, which is available for spending at the City Council's discretion. The remainder of fund balance is classified between nonspendable, restricted, or assigned for various projects based on the level of constraints placed on those funds, and in accordance with GASB Statement 54.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted/unassigned fund balance of the General Fund was \$2.9 million, while total fund balance reached \$5.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted/unassigned fund balance and total fund balance to total expenditures. Unrestricted/unassigned fund balance represents 25% of the total General Fund expenditures, while total fund balance represents 51% of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$22 thousand. Key factors are as follows:

- Revenues increased \$1.7 million this year resulting from increased grant funding, property, sales and other tax revenues.
- Expenditures increased this year by \$1.7 million, as a result of capital outlay expenditures and salary expenses.

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 \$14.6 million at the end of the year; of that, the Water and Sewer Fund amounted to \$11.9 million, the Sanitation Fund totaled \$1.5 million, and the Stormwater Utility Management Fund was \$1.1 million. Net position for proprietary funds increased \$1.9 million during 2014.

BUDGETARY HIGHLIGHTS

GENERAL FUND

- No amendments were made to the original adopted budget for 2014.
- Actual revenues were less than budgetary expectations by \$317 thousand, or 2.8% from budgeted expectations. The difference noted was due to intergovernmental revenues being less than budget due to anticipated land acquisition grant funding being less than expected.

- Actual expenditures were less than budgeted expectations this year by \$1.2 million. This was primarily related to General Government expenses being less than expected as a result of there being no Federal Housing Grant expenses incurred and the contingency reserve fund being budgeted to general government.

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, 2014, amounts to \$47.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water, wastewater and drainage systems improvements, machinery and equipment, park facilities, roads and highways, etc. The total increase in the City's investment in capital assets for the current fiscal year was \$3.5 million (or 7.9%) with an overall 11.6% increase for governmental activities, and a 6.2% increase for business-type activities, all of which is summarized in Table 3.

Table 3
City of Niceville, Florida
Capital Assets
(net of depreciation)
AS OF SEPTEMBER 30, 2014 AND 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,457,467	\$ 1,561,114	\$ 868,716	\$ 868,716	\$ 4,326,183	\$ 2,429,830
Buildings	3,218,501	3,399,393	1,678,470	1,769,464	4,896,971	5,168,857
Improvements other than buildings	5,475,849	5,688,039	24,292,525	24,636,745	29,768,374	30,324,784
Infrastructure	2,500,055	2,727,673	-	-	2,500,055	2,727,673
Machinery and equipment	1,279,676	970,903	307,217	369,328	1,586,893	1,340,231
Construction in progress	150,964	66,015	4,376,390	2,050,528	4,527,354	2,116,543
Total	\$ 16,082,512	\$ 14,413,137	\$ 31,523,318	\$ 29,694,781	\$ 47,605,830	\$ 44,107,918

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

LONG-TERM DEBT OUTSTANDING

At the end of the current fiscal year, the City had total debt outstanding of \$ 14.8 million. The City has no general obligation or special assessment debt. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts, greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt.

Table 4
City of Niceville, Florida
Long-Term Debt Outstanding
AS OF SEPTEMBER 30, 2014 AND 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues bonds, net	\$ 1,801,285	\$ 2,137,780	\$ 12,779,913	\$ 12,825,997	\$ 14,581,198	\$ 14,963,777
Lease payable	206,397	-	1,218,000	1,340,000	1,424,397	1,340,000
State revolving loans	-	-	3,615,347	3,689,886	3,615,347	3,689,886
Compensated absences	516,532	497,769	171,758	160,202	688,290	657,971
Total	\$ 2,524,214	\$ 2,635,549	\$ 17,785,018	\$ 18,016,085	\$ 20,309,232	\$ 20,651,634

The City's governmental activities debt decreased by \$317 thousand during the fiscal year, which is attributable to principal payments on the City's outstanding bonds. The net change in the business-type activities debt decreased \$231 thousand in the current year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The level of taxes, fees, and charges for services (including development related impact fees) has an impact on the City's specific competitive ability to encourage development and redevelopment (office, retail, residential, and industrial) for those businesses that choose to locate in our jurisdiction. As the City has limited growth potential, it places great emphasis on redevelopment and it is essential for the continued financial and economic health of our community.

The military has a significant presence in our community with Eglin Air Force Base and Hurlburt Field, employing over 51,000 military and civilian personnel. These installations are essential to the continued long-term economic vitality of this area. Combined, the military and defense-related industries have a \$30 billion annual impact on Florida's economy. The Governor's Office of Trade, Tourism & Economic Development (OTTED) is positioned closely with the military commanders in Florida, which may aid in limiting future base realignment and closures from negatively affecting this area. This strong relationship with the commanders gives the Governor and the State of Florida early warning of support issues they contend with on a regular basis.

Regional economic indicators were also considered in preparing the fiscal year 2014 – 2015 budget for the City:

- The local unemployment rate was 4.1%, which represents an approximate 0.3% decrease from 2013. The State of Florida's unemployment rate was 5.6%. 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 Federal and State of Florida governments have decreased shared revenues and are indicating that future allocations of revenues will continue to decrease for the foreseeable future. Currently, the City has not decreased budgeted intergovernmental revenues; however, the City has budgeted for the use of existing fund balance in the coming year.
- For fiscal year 2015, the City has budgeted \$1.2 million of existing reserves, which has been reflected as "FY 2015 Appropriations" in the assigned classification of the General Fund balance for fiscal year ended 2014.

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.

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**CITY OF NICEVILLE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

EXHIBIT I

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Niceville- Valparaiso Regional Sewer Board, Inc.
ASSETS				
Cash and cash equivalents	\$ 5,364,734	\$ 9,690,745	\$ 15,055,479	\$ 2,016,166
Receivables, net	240,264	941,772	1,182,036	1,081
Internal balances	(445,430)	445,430	-	-
Due from other governments	260,310	9,195	269,505	-
Prepaid items	18,001	34,000	52,001	-
Inventory, at cost	13,013	192,305	205,318	3,058
Restricted assets				
Cash and cash equivalents	775,170	7,245,967	8,021,137	-
Capital assets, net				
Non-depreciable	3,608,431	5,245,106	8,853,537	5,179,021
Depreciable, net	12,474,081	26,278,212	38,752,293	841,344
Other assets				
Investment in component unit	-	6,358,875	6,358,875	-
TOTAL ASSETS	22,308,574	56,441,607	78,750,181	8,040,670
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges on refunding	-	189,323	189,323	-

See notes to the financial statements.

EXHIBIT I

CITY OF NICEVILLE, FLORIDA
STATEMENT OF NET POSITION - CONTINUED
SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	Niceville- Valparaiso Regional Sewer Board, Inc.
LIABILITIES				
Accounts payable	\$ 217,879	\$ 803,626	\$ 1,021,505	\$ 50,027
Accrued wages	109,529	49,065	158,594	42,049
Payable from restricted assets				
Amounts due within one year				
Customer deposits	-	610,322	610,322	-
Compensated absences	200,000	44,399	244,399	-
Lease payable	66,016	124,000	190,016	-
Revenue bonds payable	346,522	1,020,121	1,366,643	-
State revolving loans payable	-	126,778	126,778	-
Accrued interest payable	17,743	88,203	105,946	-
Amounts due beyond one year				
Compensated absences	316,532	127,359	443,891	-
Lease payable, net	140,381	1,094,000	1,234,381	-
Revenues bonds payable, net	1,454,763	11,759,792	13,214,555	-
State revolving loans payable, net	-	3,488,569	3,488,569	-
TOTAL LIABILITIES	2,869,365	19,336,234	22,205,599	92,076
DEFERRED INFLOW OF RESOURCES				
Local business taxes paid in advance	20,778	-	20,778	-
NET POSITION				
Net investment in capital assets	14,074,830	16,027,076	30,101,906	6,020,365
Restricted				
Debt service	378,593	705,748	1,084,341	-
Capital improvements/extensions	362,841	5,929,897	6,292,738	-
Public safety	33,736	-	33,736	-
Parks and recreation	377,681	-	377,681	-
Nonexpendable	-	-	-	1,589,719
Unrestricted	4,190,750	14,631,975	18,822,725	338,510
TOTAL NET POSITION	\$ 19,418,431	\$ 37,294,696	\$ 56,713,127	\$ 7,948,594

See notes to the financial statements.

EXHIBIT II

CITY OF NICEVILLE, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Function/program activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Niceville-Valparaiso Regional Sewer Board, Inc.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General government	\$ 2,347,852	\$ 1,754,970	\$ 1,655,001	\$ -	\$ 1,062,119	\$ -	\$ 1,062,119	-
Public safety	3,158,636	200,564	-	-	(2,958,072)	-	(2,958,072)	-
Transportation	880,325	102,026	-	-	(778,299)	-	(778,299)	-
Internal services	632,591	-	-	-	(632,591)	-	(632,591)	-
Human services	56,000	-	-	-	(56,000)	-	(56,000)	-
Culture and recreation	2,294,223	206,116	106,969	-	(1,981,138)	-	(1,981,138)	-
Debt service interest	35,652	-	-	-	(35,652)	-	(35,652)	-
Total governmental activities	<u>9,405,279</u>	<u>2,263,676</u>	<u>1,761,970</u>	<u>-</u>	<u>(5,379,633)</u>	<u>-</u>	<u>(5,379,633)</u>	<u>-</u>
Business-type activities								
Water and sewer	6,165,016	6,710,773	-	832,486	-	1,378,243	1,378,243	-
Sanitation	2,583,986	2,828,505	-	-	-	244,519	244,519	-
Stormwater utility management	328,466	453,029	-	28,041	-	152,604	152,604	-
Total business-type activities	<u>9,077,468</u>	<u>9,992,307</u>	<u>-</u>	<u>860,527</u>	<u>-</u>	<u>1,775,366</u>	<u>1,775,366</u>	<u>-</u>
Total primary government	<u>18,482,747</u>	<u>12,255,983</u>	<u>1,761,970</u>	<u>860,527</u>	<u>(5,379,633)</u>	<u>1,775,366</u>	<u>(3,604,267)</u>	<u>-</u>

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See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
STATEMENT OF ACTIVITIES – CONTINUED
YEAR ENDED SEPTEMBER 30, 2014**

<u>Function/program activities</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Niceville- Valparaiso Regional Sewer Board, Inc.
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Component Unit Niceville-Valparaiso Regional Sewer Board, Inc.	\$ 1,772,274	\$ 2,200,518	\$ -	\$ 735,732	\$ -	\$ -	\$ -	\$ 1,163,976
General revenues:								
Taxes:								
Property taxes				\$ 2,911,635	\$ -	\$ 2,911,635	\$ -	
Municipal revenue sharing				437,220	-	437,220	-	
Sales taxes				1,438,068	-	1,438,068	-	
Utility service taxes				1,889,457	-	1,889,457	-	
Equity earnings in component unit				-	353,962	353,962	-	
Miscellaneous				32,945	172,072	205,017	7,740	
Investment earnings				21,422	28,565	49,987	6,469	
Transfers				440,000	(440,000)	-	-	
Total general revenues and transfers				7,170,747	114,599	7,285,346	14,209	
Change in net position				1,791,114	1,889,965	3,681,079	1,178,185	
Net position at beginning				17,627,317	35,404,731	53,032,048	6,770,409	
Net position at end				\$ 19,418,431	\$ 37,294,696	\$ 56,713,127	\$ 7,948,594	

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2014**

ASSETS

Cash and cash equivalents	\$ 5,364,734
Receivables	240,264
Due from other governments	260,310
Inventory, at cost	13,013
Prepaid items	18,001
Restricted assets	
Cash and cash equivalents	<u>775,170</u>

TOTAL ASSETS

\$ 6,671,492

LIABILITIES

Accounts payable	\$ 217,879
Accrued interest payable	17,743
Accrued wages payable	109,529
Interfund balances	<u>445,430</u>

TOTAL LIABILITIES

790,581

DEFERRED INFLOW OF RESOURCES

Local business taxes paid in advance	<u>20,778</u>
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FUND BALANCE

Nonspendable	
Inventory	13,013
Prepaid items	18,001
Restricted	
Debt service	378,593
Public safety - police federal forfeiture funds	33,736
Parks and recreation	377,681
Capital improvements	362,841
Assigned	
FY 2015 appropriations	1,261,940
Public safety - encumbrances	9,977
Salary and insurance reserves	403,095
Fireworks	91,719
Unassigned	<u>2,909,537</u>

Total fund balances

5,860,133

TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE

\$ 6,671,492

See notes to the financial statements.

EXHIBIT IV

**CITY OF NICEVILLE, FLORIDA
GENERAL FUND
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Fund balance, total governmental funds (page 21)	\$ 5,860,133
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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 fund.

Governmental non-depreciable assets	3,608,431	
Governmental depreciable assets	28,910,104	
Less accumulated depreciation	<u>(16,436,023)</u>	
		16,082,512

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

Revenue bonds payable	(1,801,285)	
Capital lease payable	(206,397)	
Compensated absences	<u>(516,532)</u>	
		<u>(2,524,214)</u>

Net Position of Governmental Activities (page 18)	<u><u>\$ 19,418,431</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
YEAR ENDED SEPTEMBER 30, 2014**

REVENUES	
Taxes	\$ 4,717,739
Licenses, fees and permits	1,432,316
Intergovernmental	3,959,862
Charges for services	523,554
Fines	58,791
Miscellaneous	<u>64,134</u>
Total revenues	<u>10,756,396</u>
EXPENDITURES	
Current	
General government	1,970,831
Public safety	2,927,718
Transportation	729,349
Internal service	632,591
Human services	56,000
Culture and recreation	2,045,393
Capital Outlay	2,647,021
Debt Service	
Principal	411,119
Interest	<u>35,652</u>
Total expenditures	<u>11,455,674</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(699,278)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from capital leases	281,021
Transfers in	<u>440,000</u>
Total other financing sources (uses)	<u>721,021</u>
NET CHANGE IN FUND BALANCE	21,743
FUND BALANCE AT BEGINNING OF YEAR	<u>5,838,390</u>
FUND BALANCE AT END OF YEAR	<u>\$ 5,860,133</u>

See notes to the financial statements.

EXHIBIT VI

**CITY OF NICEVILLE, FLORIDA
GENERAL FUND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balance - governmental funds (page 23)	\$	21,743
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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	2,647,021	
Less current year depreciation	<u>(977,646)</u>	
		1,669,375

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	(99,803)	
Accumulated depreciation associated with disposals	<u>99,803</u>	
		-

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

Proceeds from capital leases	(281,021)	
Principal payments	<u>411,119</u>	
		130,098

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:

Write off of bond issuance costs	(11,342)	
Change in long-term compensated absences	<u>(18,760)</u>	
		<u>(30,102)</u>

Change in net position of governmental activities (page 20)	\$	<u><u>1,791,114</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
SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 4,544,540	\$ 4,544,540	\$ 4,717,739	\$ 173,199
Licenses, fees and permits	1,290,000	1,290,000	1,432,316	142,316
Intergovernmental	4,650,940	4,650,940	3,959,862	(691,078)
Charges for services	628,755	628,755	523,554	(105,201)
Fines	71,500	71,500	58,791	(12,709)
Miscellaneous	169,100	169,100	64,134	(104,966)
TOTAL REVENUES	<u>11,354,835</u>	<u>11,354,835</u>	<u>10,756,396</u>	<u>(598,439)</u>
EXPENDITURES				
Current				
General government	2,748,613	2,748,613	1,970,831	777,782
Public safety	2,889,785	2,889,785	2,927,718	(37,933)
Transportation	806,010	806,010	729,349	76,661
Internal service	703,187	703,187	632,591	70,596
Human services	56,600	56,600	56,000	600
Culture and recreation	2,068,030	2,068,030	2,045,393	22,637
Capital Outlay	2,917,155	2,917,155	2,647,021	270,134
Debt Service				
Principal	456,980	456,980	411,119	45,861
Interest	35,990	35,990	35,652	338
TOTAL EXPENDITURES	<u>12,682,350</u>	<u>12,682,350</u>	<u>11,455,674</u>	<u>1,226,676</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,327,515)</u>	<u>(1,327,515)</u>	<u>(699,278)</u>	<u>628,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	440,000	440,000	440,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>440,000</u>	<u>440,000</u>	<u>440,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(887,515)	(887,515)	(259,278)	628,237
FUND BALANCE AT BEGINNING OF YEAR	<u>887,515</u>	<u>887,515</u>	<u>5,838,390</u>	<u>4,950,875</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,579,112</u>	<u>\$ 5,579,112</u>

See notes to the financial statements.

EXHIBIT VIII

**CITY OF NICEVILLE, FLORIDA
 PROPRIETARY FUNDS – BUSINESS-TYPE ACTIVITIES
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2014**

	Water and Sewer Fund	Sanitation Fund	Non-Major Fund - Stormwater Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,124,740	\$ 1,465,768	\$ 1,100,237	\$ 9,690,745
Receivables, net	664,138	238,254	39,380	941,772
Interfund balances	478,047	-	(32,617)	445,430
Prepaid items	34,000	-	-	34,000
Due from other governments	9,195	-	-	9,195
Inventory, at cost	183,824	8,481	-	192,305
Total current assets	<u>8,493,944</u>	<u>1,712,503</u>	<u>1,107,000</u>	<u>11,313,447</u>
Non-current assets:				
Restricted Assets:				
Cash and cash equivalents	<u>7,140,295</u>	<u>-</u>	<u>105,672</u>	<u>7,245,967</u>
Capital Assets:				
Non-depreciable	4,999,225	1,350	244,531	5,245,106
Depreciable, net	<u>23,524,554</u>	<u>305,006</u>	<u>2,448,652</u>	<u>26,278,212</u>
Total capital assets	<u>28,523,779</u>	<u>306,356</u>	<u>2,693,183</u>	<u>31,523,318</u>
Other Assets:				
Investment in component unit	<u>6,358,875</u>	<u>-</u>	<u>-</u>	<u>6,358,875</u>
Total other assets	<u>6,358,875</u>	<u>-</u>	<u>-</u>	<u>6,358,875</u>
Total non-current assets	<u>42,022,949</u>	<u>306,356</u>	<u>2,798,855</u>	<u>45,128,160</u>
TOTAL ASSETS	<u>50,516,893</u>	<u>2,018,859</u>	<u>3,905,855</u>	<u>56,441,607</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges on refunding	<u>189,323</u>	<u>-</u>	<u>-</u>	<u>189,323</u>

See notes to the financial statements.

CITY OF NICEVILLE, FLORIDA
PROPRIETARY FUNDS – BUSINESS-TYPE ACTIVITIES
STATEMENT OF NET POSITION – CONTINUED
SEPTEMBER 30, 2014

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Non-Major Fund - Stormwater Fund</u>	<u>Total</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 702,363	\$ 89,609	\$ 11,654	\$ 803,626
Accrued liabilities				
Compensated absences	34,124	10,275	-	44,399
Wages	33,591	15,474	-	49,065
Payable from restricted assets				
Customer deposits	610,322	-	-	610,322
Lease payable	124,000	-	-	124,000
Revenue bonds payable	1,020,121	-	-	1,020,121
State revolving loan payable	126,778	-	-	126,778
Accrued interest payable	88,203	-	-	88,203
Total current liabilities	<u>2,739,502</u>	<u>115,358</u>	<u>11,654</u>	<u>2,866,514</u>
Non-current liabilities:				
Compensated absences	117,296	10,063	-	127,359
Lease payable, net	1,094,000	-	-	1,094,000
Revenue bonds payable, net	11,759,792	-	-	11,759,792
State revolving loans payable, net	3,488,569	-	-	3,488,569
Total non-current liabilities	<u>16,459,657</u>	<u>10,063</u>	<u>-</u>	<u>16,469,720</u>
TOTAL LIABILITIES	<u>19,199,159</u>	<u>125,421</u>	<u>11,654</u>	<u>19,336,234</u>
NET POSITION				
Net investment in capital assets	13,027,537	306,356	2,693,183	16,027,076
Restricted				
Debt service	600,076	-	105,672	705,748
Capital improvements	5,929,897	-	-	5,929,897
Unrestricted	11,949,547	1,587,082	1,095,346	14,631,975
TOTAL NET POSITION	<u>\$ 31,507,057</u>	<u>\$ 1,893,438</u>	<u>\$ 3,894,201</u>	<u>\$ 37,294,696</u>

See notes to the financial statements.

EXHIBIT IX

CITY OF NICEVILLE, FLORIDA
PROPRIETARY FUNDS – BUSINESS – TYPE ACTIVITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2014

	Water and Sewer Fund	Sanitation Fund	Non-Major Fund - Stormwater Fund	Total
REVENUES				
Charges for services	\$ 6,710,773	\$ 2,828,505	\$ 453,029	\$ 9,992,307
OPERATING EXPENSES				
Personal services	1,589,592	764,699	-	2,354,291
Operating	2,695,277	1,758,013	156,519	4,609,809
Depreciation	1,154,132	61,274	127,161	1,342,567
Total operating expenses	5,439,001	2,583,986	283,680	8,306,667
OPERATING INCOME	1,271,772	244,519	169,349	1,685,640
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(596,187)	-	-	(596,187)
Amortization	(1,004)	-	-	(1,004)
Equity earnings in component unit	353,962	-	-	353,962
Interest income	22,558	3,857	2,150	28,565
Debt issuance costs	(44,786)	-	-	(44,786)
Debt service fees	(128,824)	-	-	(128,824)
Miscellaneous	89,884	82,188	-	172,072
Total non-operating revenue (expenses)	(304,397)	86,045	2,150	(216,202)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	967,375	330,564	171,499	1,469,438
Capital contributions - impact fees	832,486	-	28,041	860,527
Transfers out	(180,000)	(180,000)	(80,000)	(440,000)
Total capital contributions and transfers	652,486	(180,000)	(51,959)	420,527
CHANGE IN NET POSITION	1,619,861	150,564	119,540	1,889,965
NET POSITION AT BEGINNING OF YEAR	29,887,196	1,742,874	3,774,661	35,404,731
NET POSITION AT END OF YEAR	\$ 31,507,057	\$ 1,893,438	\$ 3,894,201	\$ 37,294,696

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
 PROPRIETARY FUNDS – BUSINESS – TYPE ACTIVITIES
 STATEMENT OF CASH FLOWS
 YEAR ENDED SEPTEMBER 30, 2014**

EXHIBIT X

	Water and Sewer Fund	Sanitation Fund	Non-Major Fund - Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 6,649,775	\$ 2,830,575	\$ 452,430	\$ 9,932,780
Payments to suppliers	(2,674,260)	(1,782,156)	(148,413)	(4,604,829)
Payments to employees	(1,578,615)	(756,211)	-	(2,334,826)
Miscellaneous income	89,884	82,188	-	172,072
Net cash provided by operating activities	<u>2,486,784</u>	<u>374,396</u>	<u>304,017</u>	<u>3,165,197</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers out	<u>(180,000)</u>	<u>(180,000)</u>	<u>(47,383)</u>	<u>(407,383)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of capital assets	(3,825,970)	(17,940)	(230,575)	(4,074,485)
Proceeds from disposal of capital assets	-	9,642	-	9,642
Proceeds from impact fees	832,486	-	28,041	860,527
Proceeds from issuance of bonds	5,504,800	-	-	5,504,800
Principal paid on state revolving loans	(74,539)	-	-	(74,539)
Principal paid on revenue bonds and notes payable	(5,909,478)	-	-	(5,909,478)
Proceeds from lease payable	(122,000)	-	-	(122,000)
Interest paid on bonds and notes payable	(629,461)	-	-	(629,461)
Other debt service costs	(9,600)	-	-	(9,600)
Net cash provided (used) by capital and related financing activities	<u>(4,233,762)</u>	<u>(8,298)</u>	<u>(202,534)</u>	<u>(4,444,594)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Equity in Joint Venture	353,962	-	-	353,962
Interest income	22,558	3,857	2,150	28,565
Net cash provided by investing activities	<u>376,520</u>	<u>3,857</u>	<u>2,150</u>	<u>382,527</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,550,458)</u>	<u>189,955</u>	<u>56,250</u>	<u>(1,304,253)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>15,815,493</u>	<u>1,275,813</u>	<u>1,149,659</u>	<u>18,240,965</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,265,035</u>	<u>\$ 1,465,768</u>	<u>\$ 1,205,909</u>	<u>\$ 16,936,712</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
 PROPRIETARY FUNDS – BUSINESS – TYPE ACTIVITIES
 STATEMENT OF CASH FLOWS – CONTINUED
 YEAR ENDED SEPTEMBER 30, 2014**

EXHIBIT X

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Non-Major Fund - Stormwater Fund</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current assets	\$ 8,030,818	\$ 1,465,768	\$ 1,100,237	\$ 10,596,823
Restricted assets	6,234,217	-	105,672	6,339,889
Total cash and cash equivalents	<u>14,265,035</u>	<u>1,465,768</u>	<u>1,205,909</u>	<u>16,936,712</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	1,271,772	244,519	169,349	1,685,640
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	1,154,132	61,274	127,161	1,342,567
Amortization	1,004	-	-	1,004
Miscellaneous revenue	89,884	82,188	-	172,072
Decrease (increase) in assets				
Accounts receivable	(82,578)	2,070	(599)	(81,107)
Due from other governments	(9,195)	-	-	(9,195)
Inventory	18,093	900	-	18,993
Prepaid expenses	1,500	500	-	2,000
Increase (decrease) in liabilities				
Accounts payable	420	(25,543)	8,106	(17,017)
Accrued wages	4,862	3,083	-	7,945
Customer deposits	30,775	-	-	30,775
Compensated absences	6,115	5,405	-	11,520
Net cash provided (used) by operating activities	<u>\$ 2,486,784</u>	<u>\$ 374,396</u>	<u>\$ 304,017</u>	<u>\$ 3,165,197</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS				
Debt issuance costs written off for GASB 65	<u>\$ 164,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,010</u>
Equity earnings in joint venture	<u>\$ 353,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,962</u>

See notes to the financial statements.

**CITY OF NICEVILLE, FLORIDA
AGENCY FUND - SCHOLARSHIPS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014**

ASSETS

Cash and cash equivalents	\$ 373,276
Due from other funds	<u>5,746</u>

TOTAL ASSETS

\$ 379,022

LIABILITIES

Due to scholarship recipients	<u>\$ 379,022</u>
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TOTAL LIABILITIES

\$ 379,022

See notes to the financial statements.

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**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government). In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB Statement No. 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB Statement No. 61, the City is financially accountable if it appoints a voting majority of the potential component unit's governing board, and it is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Reporting Entity - Continued

In April 2012, the City of Niceville and Okaloosa County entered into an Amendment to the Operational Agreement which resulted in the transfer of Okaloosa County's share of wastewater treatment capacity at the NVRSB plant to the City of Niceville. As a result of the transfer of capacity, Okaloosa County is no longer a member of NVRSB and the City of Niceville and Valparaiso are now 80% and 20% owners, respectively. In June 2012, NVRSB of Directors approved the change of NVRSB's name from Niceville, Valparaiso, Okaloosa County Regional Sewer Board, Inc. to Niceville-Valparaiso Regional Sewer Board, Inc. As a result of the change in ownership percentage, a financial benefit/burden relationship exists between City of Niceville and NVRSB. Therefore, as of September 30, 2014, NVRSB is considered to be a component unit of the City, as defined by GASB Statement No. 61 and accordingly, NVRSB's June 30, 2014 year-end financial information has been presented within the government-wide financial statements as a "discretely presented component unit", with the City of Valparaiso's 20% share of equity of \$1,589,719 presented as nonexpendable restricted net position within the Statement of Net Position.

NVRSB's Board consists of four members; two appointed by each of the two participants. The Sewer Board is responsible for preparing and approving its own budget. The cost of operations, including additional equipment and inventory purchases, is accounted for, in total, on the books and financial statements of the NVRSB. In accordance with GASB Statement No. 61, the City of Niceville's 80% share of operating results of the NVRSB is reported in the City's Water and Sewer Enterprise Fund. The City's portion of the equity in the joint venture is \$6,358,875 as of September 30, 2014.

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

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

Government-Wide and Fund Financial Statements

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements - Continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting - Continued

The following is the current property tax calendar:

Lien Date	January 1, 2014
Levy Date	November 1, 2014
Due Date	November 1, 2014
Delinquent Date	April 1, 2015

Discounts of 1% are granted for each month taxes are paid prior to March 2015.

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

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

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

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

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

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

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources) and not net income. The City has the following major governmental fund:

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

Proprietary

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

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

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

Fiduciary

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

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Cash and Cash Equivalents

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

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically allowable investments include the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the U.S. Government or other interest-bearing time deposits or saving accounts in the state or federal banks for savings and loan associations, debt securities of the Federal Farm Credit Banks, The Federal Home Loan Mortgages Corporation, the Federal National Mortgage Association and securities of or other interest in certain investment companies or investment trusts, the portfolio of which is limited to the U.S. Government obligations or repurchase agreements fully collateralized by such obligations. The City adheres strictly to the provisions of those cited statutes, as well as with Chapter 280, Florida Statutes, which require the City to maintain deposits only with "Qualified Public Depositories". The City maintains a cash and investment pool available for use by all funds. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. In addition, restricted cash accounts, money market deposit accounts, and certificates of deposit are separately maintained by several City funds in accordance with bond ordinances and other contractual agreements. Investments are stated at fair value.

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation. All proprietary fund receivables are shown net of an allowance for uncollectibles. The allowance is computed using 65% of receivables in excess of 90 days.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Inventory

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

Restricted Assets

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

Capital Assets

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

Land		All
Buildings and improvements	\$	10,000
Infrastructure	\$	10,000
Improvements - other	\$	10,000
Equipment, vehicles, computers	\$	1,000
Library books		All

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Capital Assets – Continued

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

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

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

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

Compensated Absences

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

The policy of the City for annual and sick leave is as follows:

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred account is offset against the new liability.

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.

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 only has one item that qualifies for reporting in this category; deferred charges on refunding.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Deferred Outflows/Inflows of Resources – Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At September 30, 2014, the City has fiscal year 2015 business taxes received by the City in advance that qualify for reporting in this category.

Bond Premiums and Discounts

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

Classification of Fund Balance

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

- Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid items.
- Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action, Ordinance, of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally, which is an Ordinance.
- Assigned Fund Balance - comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the City Council or (b) a body (for example: a budget or finance committee) or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. The City Council has delegated authority to the City Manager and City Clerk in accordance with the City's fund balance policy.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Classification of Fund Balance – Continued

- Unassigned Fund Balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

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

The City, in its General Fund, presents nonspendable fund balance for inventory and prepaid items. Amounts appropriated for use in the 2015 fiscal year budget process are classified as assigned. Amounts reserved for encumbrances, with no contractual obligations, are classified as assigned. All other amounts in the General Fund are considered unassigned.

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

Net Position

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

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component as the unspent proceeds.

- *Restricted* - This component of net position consists of restricted assets, other than capital assets, reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

- *Unrestricted* - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Estimates

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

Subsequent Events

The City has evaluated events and transactions that occurred between September 30, 2014 and February 27, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Budgets – Continued

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 2014.

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 Florida Statute 218.415 as to the type of investments that can be made. Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned.

The City manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow Qualified Public Depositories to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must deposit eligible collateral with the Treasurer of the State of Florida equal to or in excess of their required collateral pledging level. In the event of default by a qualified public institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all Qualified Public Depositories.

The City's deposits at September 30, 2014, were entirely covered by federal depository insurance or pooled collateral held by the State Treasurer and, therefore, have no custodial risk.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

3. DEPOSITS AND INVESTMENTS - CONTINUED

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, 2014, the City did not have any deposits classified as investments.

4. RECEIVABLES

Receivables at September 30, 2014, were as follows:

	Govern- mental Activities	Business-Type Activities			Total
	General	Water and Sewer	Sanitation	Stormwater Utility Management	
Accounts	\$ 240,264	\$ 699,186	\$ 265,388	\$ 44,303	\$ 1,249,141
Less allowance for doubtful accounts	-	(35,048)	(27,134)	(4,923)	(67,105)
Receivables, net	240,264	664,138	238,254	39,380	1,182,036
Due from other governments	260,310	9,195	-	-	269,505
Total	\$ 500,574	\$ 673,333	\$ 238,254	\$ 39,380	\$ 1,451,541

Due from Other Governments

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,561,114	\$ 1,896,353	\$ -	\$ 3,457,467
Construction in progress	66,015	84,949	-	150,964
Total capital assets not being depreciated	<u>1,627,129</u>	<u>1,981,302</u>	<u>-</u>	<u>3,608,431</u>
Capital assets being depreciated				
Buildings	5,694,617	9,514	-	5,704,131
Improvements other than buildings	9,612,617	30,932	-	9,643,549
Infrastructure	7,450,171	-	-	7,450,171
Machinery and equipment	5,247,614	625,273	(75,802)	5,797,085
Library books	339,169	-	(24,001)	315,168
Total capital assets being depreciated	<u>28,344,188</u>	<u>665,719</u>	<u>(99,803)</u>	<u>28,910,104</u>
Less accumulated depreciation				
Buildings	(2,295,224)	(190,406)	-	(2,485,630)
Improvements other than buildings	(3,924,578)	(243,122)	-	(4,167,700)
Infrastructure	(4,722,498)	(227,618)	-	(4,950,116)
Machinery and equipment	(4,276,711)	(316,500)	75,802	(4,517,409)
Library books	(339,169)	-	24,001	(315,168)
Total accumulated depreciation	<u>(15,558,180)</u>	<u>(977,646)</u>	<u>99,803</u>	<u>(16,436,023)</u>
Total capital assets being depreciated, net	<u>12,786,008</u>	<u>(311,927)</u>	<u>-</u>	<u>12,474,081</u>
Governmental activities, net	<u><u>\$ 14,413,137</u></u>	<u><u>\$ 1,669,375</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,082,512</u></u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

5. CHANGES IN CAPITAL ASSETS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 868,716	\$ -	\$ -	\$ 868,716
Construction in progress	2,050,528	2,325,862	-	4,376,390
Total capital assets not being depreciated	<u>2,919,244</u>	<u>2,325,862</u>	<u>-</u>	<u>5,245,106</u>
Capital assets being depreciated				
Buildings	3,515,841	-	-	3,515,841
Improvements other than buildings	36,845,636	741,103	-	37,586,739
Machinery and equipment	3,185,506	104,139	(42,299)	3,247,346
Total capital assets being depreciated	<u>43,546,983</u>	<u>845,242</u>	<u>(42,299)</u>	<u>44,349,926</u>
Less accumulated depreciation				
Buildings	(1,746,377)	(90,994)	-	(1,837,371)
Improvements other than buildings	(12,208,891)	(1,085,323)	-	(13,294,214)
Machinery and equipment	(2,816,178)	(166,250)	42,299	(2,940,129)
Total accumulated depreciation	<u>(16,771,446)</u>	<u>(1,342,567)</u>	<u>42,299</u>	<u>(18,071,714)</u>
Total capital assets being depreciated, net	<u>26,775,537</u>	<u>(497,325)</u>	<u>-</u>	<u>26,278,212</u>
Business-type activities, net	<u>\$ 29,694,781</u>	<u>\$ 1,828,537</u>	<u>\$ -</u>	<u>\$ 31,523,318</u>

Construction in progress in the business-type activities of \$4,376,390 includes the water and sewer meter reading upgrade project, water tank construction project, the NVRSB upgrade project, and several small construction projects. The City anticipates completion of the projects in the fiscal year 2015. Open construction contract commitments related to the projects totaled approximately \$2.4 million as of September 30, 2014.

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

Governmental activities

General government	\$ 346,922
Public Safety	230,918
Transportation	150,976
Culture and recreation	248,830
Total depreciation expense - governmental activities	<u>\$ 977,646</u>

Business-type activities

Water and sewer	\$ 1,154,132
Sanitation	61,274
Non-major	127,161
Total depreciation expense - business-type activities	<u>\$ 1,342,567</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

6. DEFERRED COMPENSATION PLAN

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

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

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

Effective October 1, 2004, the City began participation in the Florida Retirement System for its police officer employees, and therefore made no matching contributions under the deferred compensation plan for such employees.

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

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

Assets of the plan have a fair value of \$3,441,688 at September 30, 2014. The City made matching contributions during the fiscal year ended September 30, 2014, of \$33,792.

CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

7. PENSION PLAN

Plan Description

On October 1, 2004, the City became a participant in the Florida Retirement System (FRS), a cost-sharing multiple-employer retirement plan administered by the State of Florida Division of Retirement, Department of Management Services for its police officer employees. Effective October 1, 2005, the City expanded its participation in the Florida Retirement System (FRS) to all general full-time employees and firefighters. The FRS provides retirement, disability or death benefits to Plan members or their designated beneficiaries. Benefit provisions are established under Chapter 12, Florida Statutes, which may only be amended by the Florida Legislature. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State of Florida, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by contacting Research and Education by email at rep@dms.myflorida.com or by phone toll-free at 877-FRS-1FRS (877-377-1737), at 850-488-5706, or SUNCOM 850-278-5706.

Funding Policy

Effective July 1, 2011, the Florida Legislature passed Senate Bill 2100 that made substantive changes to the Florida Retirement System (FRS). The Bill requires all FRS Investment and Pension Plan members (except those in DROP) to now pay a 3% employee contribution, on a pretax basis, beginning on or after July 1, 2011. Cost of living adjustments (COLA) on or after July 1, 2011 are no longer automatic at 3%. COLA percentages will be calculated individually for each Plan member using a reduced formula as total years of service earned prior to July 1, 2011 to total years of service at retirement, multiplied by 3%.

New members enrolling into FRS for the first time after July 1, 2011 will be subject to additional changes including 1) an increased vesting period from 6 years to 8 years, 2) a change in calculation of benefits using Average Final Compensation (AFC) on the highest eight years of compensation as compared to highest five years. In addition, the normal retirement date for Regular, Senior Management Service, Elected Officers', and Special Risk Administrative Support Classes was modified to be age 65, with 8 years of service or 33 years of service regardless of age.

Normal retirement for Special Risk Class members now at age 60, with 8 years of service, or 30 years of special risk class service OR age 57, with 30 years of combined special risk class service and military service. For those members participating in the Deferred Retirement Option Program (DROP), the Legislature reduced the annual interest rate used for benefits from 6.5% to 1.3%. The funding policy relative to the FRS plan is disclosed below.

Contribution requirements of the plan are established in Florida Statutes Chapter 121 and may only be amended by legislative action. Effective July 1, 2011, the Florida Legislature passed Senate Bill 2100 requiring all employee members to contribute 3% to the Plan. No changes were made to the 3% employee member contribution rate during the year ended September 30, 2014. The FRS funding policy provides for monthly employer and employee contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. PENSION PLAN – CONTINUED

Funding Policy - Continued

If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

In July 2002, the Florida Legislature established a uniform contribution rate system for the FRS, which remained in effect with the passage of Senate Bill 2100. The uniform contribution system covers both the FRS Pension Plan and the FRS Investment Plan. Employers and employees contribute a percentage of the total payroll for each class of FRS membership.

Effective July 1, 2013, the Florida Legislature passed Senate Bill 1810 that sets the employer-paid contribution rates for the FRS. The employer-paid contribution rate to pay the normal costs and amortization of the unfunded actuarial liability of the FRS increased. The established rates are based on the rates recommended in the “Blended Rate Study” associated with the 2012 Actuarial Valuation of the FRS. The “Blended Rate Study” covers a thirty-year period, with rates adjusted annually. The contributions will be deposited into the FRS Trust Fund to fund retirement benefits to members participating in FRS.

As of July 1, 2014, the actuarially determined contribution rates, expressed as a percentage of covered payroll, including the required employee 3% contribution are 22.82% for police officer and firefighter (special risk) employees, 10.37% for regular employees, and 12.28% for the Deferred Retirement Option Program (DROP). The City's contributions to the plan for fiscal years ended September 30, 2014, 2013, and 2012, listed below, were equal to the required contributions for the year.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)
September 30, 2014	\$ 717,683
September 30, 2013	602,943
September 30, 2012	551,847

8. OTHER POST-EMPLOYMENT BENEFITS

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

9. RISK MANAGEMENT

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

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

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

10. OPERATING LEASES

Rocky Bayou Country Club Lease

During 1998, the City entered into a land lease with Rocky Bayou Country Club for the purpose of a water well site. The initial payment of \$50,000 is amortized over 50 years, which is the life of the lease. Annual rent expense for this land is \$1,000, and has been accounted for in the Water and Sewer Enterprise Fund. At September 30, 2014, \$34,000 has been recorded as prepaid items.

Board of County Commissioners Lease

In October 2008, the City renewed an operating lease with the Board of County Commissioners for office space within the City's Public Library building for the purpose of housing the Okaloosa County Public Library Co-operative headquarters. The lease period is two years, providing annual lease income of \$13,000. The lease automatically renews, unless cancelled by either party. For the year ended September 30, 2014, \$13,000 was recognized as income and included as a component of charges for services in the General Fund. The carrying value of the asset under the operating lease is approximately \$146,000 at September 30, 2014.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

11. LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

Long-term debt activity for the year ended September 30, 2014, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Governmental activities					
Sales Tax Revenue Refunding Bonds, Series 2011	\$ 874,278	\$ -	\$ (137,916)	\$ 736,362	\$ 140,881
Gas Tax Revenue Refunding Bonds, Series 2011	1,263,502	-	(198,579)	1,064,923	205,641
Capital Lease - Dell Equipment	-	197,765	(52,295)	145,470	46,670
Capital Lease - Radio Consoles	-	83,256	(22,329)	60,927	19,346
Compensated absences	497,769	222,460	(203,697)	516,532	200,000
Total governmental activities	<u>\$ 2,635,549</u>	<u>\$ 503,481</u>	<u>\$ (614,816)</u>	<u>\$ 2,524,214</u>	<u>\$ 612,538</u>
Business-type activities					
Water and Sewer Refunding Bonds, Series 1993*	1,597,778	85,304	(370,000)	1,313,082	370,000
Less deferred amount for bond discount	(4,850)	-	1,004	(3,846)	-
Water and Sewer Revenue Bonds, Series 2005	4,730,000	-	(4,730,000)	-	-
Less deferred amount for bond discount	(106,384)	-	106,384	-	-
Water and sewer revenue refunding bonds, Series 20011A,B,C	4,275,355	-	(493,978)	3,781,377	503,821
Water and Sewer Revenue Bonds, Series 2012A	960,000	-	(55,000)	905,000	75,000
Water and Sewer Revenue Bonds, Series 2012B	1,540,000	-	-	1,540,000	-
Water and Sewer Revenue Bonds, Series 2014	-	5,504,800	(260,500)	5,244,300	71,300
Florida DEP State Revolving Loan, 2002A	304,450	-	-	304,450	-
Florida DEP State Revolving Loan, 2005A	284,866	-	(379)	284,487	-
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	1,911,054	-	(45,300)	1,865,754	81,947
Florida DEP State Revolving Loan, 2012	361,973	-	(28,860)	333,113	44,831
Lease payable 2013	1,340,000	-	(122,000)	1,218,000	124,000
Compensated absences	160,202	72,972	(61,416)	171,758	44,399
Total business-type activities	<u>\$ 18,016,085</u>	<u>\$ 5,663,076</u>	<u>\$ (5,894,143)</u>	<u>\$ 17,785,018</u>	<u>\$ 1,315,298</u>

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

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

11. LONG-TERM DEBT - CONTINUED

Description of Long-Term Debt Outstanding

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES			
<i>Sales Tax Revenue Refunding Bonds</i>			
\$1,009,101 Sales Tax Revenue Refunding Bonds, Series 2011, 1.97% serial bonds due in annual principal installments of \$134,823 to \$156,366, beginning October 1, 2012, through October 1, 2018; pledged by sales tax revenues. Bond proceeds were utilized for the current refunding of the Sales Tax Revenue Bonds, Series 2003 as of September 28, 2011.	\$ 140,881	\$ 595,481	\$ 736,362
<i>Gas Tax Revenue Refunding Bonds</i>			
\$1,459,829 Gas Tax Revenue Refunding Bonds, Series 2011, 1.97% serial bonds due in annual principal installments of \$196,327 to \$221,928, beginning October 1, 2012, through October 1, 2018; pledged by gas tax revenues. Bond proceeds were utilized for the current refunding of the Gas Tax Revenue Bonds, Series 2011 as of September 28, 2011.	205,641	859,282	1,064,923
<i>Capital Lease - Dell Equipment</i>			
During the year ended September 30, 2014, the City entered into a 48 month capital lease agreement for the lease of computer servers beginning March 1, 2014 through March 1, 2018, in the amount of \$197,765 at an interest rate of 6%. The lease calls for four annual payments of \$52,295.	46,670	98,800	145,470
<i>Capital Lease - Radio Consoles</i>			
During the year ended September 30, 2014, the City entered into a 48 month capital lease agreement for the lease of computer servers beginning May 1, 2014 through May 1, 2018, in the amount of \$83,256 at an interest rate of 7%. The lease calls for four annual payments of \$22,329.	19,346	41,581	60,927
<i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	200,000	316,532	516,532
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 612,538</u>	<u>\$ 1,911,676</u>	<u>\$ 2,524,214</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

11. LONG-TERM DEBT - CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES			
<i>Revenue Bonds</i>			
\$2,336,065 Water and Sewer Refunding Bonds, capital appreciation bonds with no stated interest rate, effective interest rate of 5.5% to 5.7% compounded semi-annually through June 1, 2018; issued in denominations of \$5,000 maturity value due in annual installments of \$10,000 to \$370,000 from June 1, 2007, through June 1, 2018; pledged by net revenues derived from water and sewer system.	\$ 370,000	\$ 943,082	\$ 1,313,082
Less unamortized bond discount	-	(3,846)	(3,846)
 \$5,000,000 Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C, serial bonds issued in December 2011 and due in annual installments ranging from \$58,940 to \$590,421, from October 1, 2012, through October 1, 2031; interest rates range from 1.98% to 3.65% over the life of the bonds; bond proceeds used to fully refund outstanding principal the Water and Sewer Note Payable, principal on the City's various State Revolving Fund Loans, and funding future capital projects; pledged by net revenues derived from water and sewer system.	 503,821	 3,277,556	 3,781,377

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

11. LONG-TERM DEBT - CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES - Continued			
<i>Revenue Bonds - Continued</i>			
\$960,000 Water and Sewer Revenue Bonds 2012A serial bonds issued in July 2012 and due in annual installments ranging from \$3,475 to \$264,706, from October 1, 2012, through October 1, 2019; interest rate is 1.81% over the life of the bonds; bond proceeds used finance the cost of capital improvements to the water and sewer facilities of the City; pledged by net revenues derived from water and sewer system.	75,000	830,000	905,000
\$5,504,800 Water and Sewer Revenue Bonds, Series 2014, serial bonds due in bi-annual installments of \$3,800 to \$478,980, from June 1, 2014, through June 1, 2030; interest rates range from 2.46% to 2.64% over the life of the bonds; bond proceeds used to refund the 2005 Water and Sewer Revenue Bonds and to finance construction of extensions, additions and improvements to the Water and Sewer System; pledged by net revenues derived from water and sewer system.	71,300	5,173,000	5,244,300
\$1,540,000 Water and Sewer Revenue Bonds 2012B serial bonds issued in July 2012 and due in annual installments ranging from \$10,133 to \$225,666, from October 1, 2012, through October 1, 2027; interest rate is 3.29% over the life of the bonds; bond proceeds used finance the cost of capital improvements to the water and sewer facilities of the City; pledged by net revenues derived from water and sewer system.	-	1,540,000	1,540,000
<i>Total Revenue Bonds</i>	<u>1,020,121</u>	<u>11,759,792</u>	<u>12,779,913</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

11. LONG-TERM DEBT - CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES - Continued			
<i>State Revolving Loans</i>			
<p>\$2,304,000 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments including capitalized interest of \$80,609 including interest at 3.09% beginning March 15, 2004, through September 15, 2023. Proceeds used to construct Reclaimed Water Facility. In December 2011, the City used proceeds from Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C to make an advance principal payment on the loan in the amount of \$1,252,749. As a result of the advance payment, the City is making semiannual interest only payments of \$4,687 through March 15, 2022, at which time semiannual principal and interest payments totaling \$78,799 will resume.</p>	-	304,450	304,450
<p>\$900,028 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments including capitalized interest of \$17,177 including interest at 4% beginning July 15, 2006, through January 15, 2026; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations. Proceeds used to finance the Bayshore Sewer Rehabilitation Project. In December 2011, the City used proceeds from Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C to make an advance principal payment on the loan in the amount of \$462,811. As a result of the advance payment, the City is making semiannual interest only payments of \$4,414 through January 15, 2022, at which time semiannual principal and interest payments totaling \$35,391 will resume.</p>	-	284,487	284,487

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

11. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES - Continued			
<i>State Revolving Loans - Continued</i>			
<p>\$1,295,558 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments including capitalized interest of \$43,725 including interest at 2.78% beginning March 15, 2007, through September 15, 2026; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations. Proceeds used to finance a 2.0 MGD filter additional to the Reclaimed Water System. In December 2011, the City used proceeds from Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C to make an advance principal payment on the loan in the amount of \$654,031. As a result of the advance payment, the City is making semiannual interest only payments of \$5,523 through March 15, 2022, at which time semiannual principal and interest payments totaling \$43,683 will resume.</p>	-	405,837	405,837
<p>\$2,134,476 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments including capitalized interest of \$71,605 including interest at 2.76% beginning December 15, 2012, through June 15, 2021; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations. Proceeds used to finance the construction of the new City Hall Pump Station.</p>	81,947	1,783,807	1,865,754

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

11. LONG-TERM DEBT - CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES - Continued			
<i>State Revolving Loans - Continued</i>			
<p>\$1,582,026 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of \$28,486 including capitalized interest of \$3,698 including interest at 2.96% beginning November 15, 2010, through May 15, 2030; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations.. Proceeds used to finance the combination of lift stations #3 and #4. In December 2011, the City used proceeds from Water and Sewer Revenue Refunding Bonds, Series 2011A,B,C to make an advance principal payment on the loan in the amount of \$378,833. As a result of the advance payment, the City is making semiannual interest only payments of \$6,296 through May 15, 2022, at which time semiannual principal and interest payments totaling \$28,487 will resume.</p>	-	421,706	421,706
<p>\$765,234 State of Florida Department of Environmental Protection Revolving Loan Fund; semi annual payments of \$25,749, including interest at 2.76%, beginning May 15, 2012, through May 15, 2017; pledged by gross revenues derived from water and sewer system after payment of operating and maintenance expenses and satisfaction of all annual payment obligations on account of Senior Revenue Obligations.. Proceeds used to finance pump station rehabilitation projects.</p>	44,831	288,282	333,113
<i>Total State Revolving Loans</i>	<u>126,778</u>	<u>3,488,569</u>	<u>3,615,347</u>

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

11. LONG-TERM DEBT - CONTINUED

Description of Long-Term Debt Outstanding – Continued

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES - Continued			
<i>Lease Payable</i>			
<p>\$1,340,000 lease payable to Regions Equipment Finance Corporation; Proceeds used to finance the City's meter reading equipment upgrade project; interest rate of 1.77%; beginning May 24, 2013 through April 1, 2023; Interest paid semiannually beginning October 1, 2013; principal paid annually beginning April 1, 2014. The carrying value of the equipment under the capital lease as of September 30, 2013 is \$1,294,780 (cost basis of \$1,294,780; accumulated depreciation of \$0) with \$31,142 of cash being held by the City to purchase the remainder of the equipment; \$14,078 of the proceeds were used to pay issuance costs.</p>	124,000	1,094,000	1,218,000
<i>Accrued Compensated Absences</i>			
<p>Accumulated, vested annual compensation for Enterprise Funds</p>	44,399	127,359	171,758
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 1,315,298</u>	<u>\$ 16,469,720</u>	<u>\$ 17,785,018</u>
GRAND TOTAL LONG-TERM DEBT			<u><u>\$ 20,309,232</u></u>

Refundings

On April 22, 2014, the City issued a \$5,504,800 Water and Sewer Revenue Refunding Note, Series 2014 to pay the cost of refunding outstanding water and sewer bonds of \$4,555,000 and the cost of improvements to the water and sewer system. The City received \$954,800 of new monies, of which \$47,000 was earmarked towards issuance expenses, with the remaining \$902,800 set aside for future capital outlay projects. The refunded portion of the transaction resulted in an economic gain of \$1,774,322 and cash flow savings of \$760,466.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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, 2014, are as follows:

Year Ending September 30	Governmental Activities					
	Sales Tax Revenue Refunding Bonds, Series 2011		Gas Tax Revenue Refunding		Capital Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 140,881	\$ 13,119	\$ 205,641	\$ 18,953	\$ 66,016	\$ 8,517
2016	143,715	10,315	207,511	14,884	68,756	5,867
2017	146,417	7,458	214,185	10,730	71,625	2,999
2018	148,983	4,548	215,658	6,496	-	-
2019	156,366	1,540	221,928	2,186	-	-
Total	<u>\$ 736,362</u>	<u>\$ 36,980</u>	<u>\$ 1,064,923</u>	<u>\$ 53,249</u>	<u>\$ 206,397</u>	<u>\$ 17,383</u>

Annual Requirements to Amortize Debt Outstanding – Continued

Year Ending September 30	Business-Type Activities					
	Water and Sewer Revenue Bonds		State Revolving Loans		Lease Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,020,121	\$ 222,287	\$ 126,778	\$ 109,769	\$ 124,000	\$ 21,558
2016	1,028,558	192,781	151,054	85,493	127,000	19,364
2017	1,056,162	162,824	154,632	81,916	130,000	17,116
2018	924,605	131,771	158,295	78,253	133,000	14,814
2019	955,863	112,566	747,373	115,618	136,000	12,460
2020-2024	3,916,815	377,276	1,544,882	306,042	568,000	25,348
2025-2029	3,232,983	148,211	681,020	41,321	-	-
2030-2032	648,652	41,542	51,314	1,240	-	-
Total	<u>\$ 12,783,759</u>	<u>\$ 1,389,259</u>	<u>\$ 3,615,347</u>	<u>\$ 819,652</u>	<u>\$ 1,218,000</u>	<u>\$ 110,660</u>

The above amortization schedule does not agree to the debt balances outstanding as of September 30, 2014, due to accrued debt balances from the 1993 Water and Sewer Revenue Capital Appreciation Bonds, which are reported at the matured value in the above amortization schedule.

Defeased Bond Issues

In prior years, the City has defeased various bond issues. Of those defeased issues, the following amount is outstanding at September 30, 2014:

Water and sewer revenue 1979	<u>\$ 265,000</u>
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**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2014, is as follows:

Due to/from Other Funds		Amount
Receivable Fund	Payable Fund	
General	Stormwater	\$ -
Water and Sewer	General	(2)
		\$ (2)

Water and Sewer Fund receivables from the General Fund of \$478,047 results from temporary advances made for various street, parks and public safety projects and the General Fund receivable from the Stormwater Fund results from temporary advances made for land acquisitions.

Transfers Out	Tranfers In
	General Fund
Water and Sewer Fund	180,000
Sanitation	180,000
Stormwater	80,000
	\$ 440,000

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

13. COMMITMENTS AND CONTINGENCIES

Reclaimed Water

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

Legal Matters

The City Attorney has indicated that there are no items pending or recently resolved litigation which would materially affect the City's financial statements as of September 30, 2014.

**CITY OF NICEVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

14. CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended September 30, 2014, the Authority implemented Governmental Accounting Standard Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities as one of the four financial statement elements: (1) deferred outflows of resources, (2) deferred inflows of resources, (3) outflow of resources, or (4) inflows of resources. Accounting changes to comply with GASB Statement No. 65 were applied upon implementation during fiscal year 2014. The effect of implementation in the current year reduced the City's governmental activities' net position by \$11,342.

15. SUBSEQUENT EVENT

Subsequent to year end, the City was awarded grant funding in the amount of \$4.2 million from the National Fish and Wildlife Foundation to fund the Boggy Bayou Watershed quality improvement projects.

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CITY OF NICEVILLE, FLORIDA

INDIVIDUAL FUND STATEMENT

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

FIDUCIARY FUND - AGENCY FUND

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

**CITY OF NICEVILLE, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Balances October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances September 30, 2014</u>
Assets				
Cash and cash equivalents	382,567	\$ 1,948	\$ 11,239	\$ 373,276
Due from others	5,395	351	-	5,746
	<u>387,962</u>	<u>2,299</u>	<u>11,239</u>	<u>379,022</u>
Total assets	\$ 387,962	\$ 2,299	\$ 11,239	\$ 379,022
Liabilities				
Due to scholarship recipients	387,962	\$ 2,299	\$ 11,239	\$ 379,022
	<u>387,962</u>	<u>2,299</u>	<u>11,239</u>	<u>379,022</u>
Total liabilities	\$ 387,962	\$ 2,299	\$ 11,239	\$ 379,022

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III. STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 10,420,561	\$ 10,623,903	\$ 11,860,874	\$ 12,601,899	\$ 12,338,507	\$ 11,973,404	\$ 12,180,124	\$ 11,784,102	\$ 12,275,357	\$ 14,074,830
Restricted	302,129	2,318,752	2,536,382	1,502,000	1,347,899	1,110,010	841,612	1,178,772	1,201,788	1,152,851
Unrestricted	1,035,020	670,157	652,037	1,242,996	2,476,404	3,945,681	4,085,883	4,204,645	4,150,172	4,190,750
Total governmental activities net position	\$ 11,757,710	\$ 13,612,812	\$ 15,049,293	\$ 15,346,895	\$ 16,162,810	\$ 17,029,095	\$ 17,107,619	\$ 17,167,519	\$ 17,627,317	\$ 19,418,431
Business-type activities										
Net investment in capital assets	\$ 9,553,129	\$ 7,549,142	\$ 8,684,273	\$ 9,984,566	\$ 12,562,218	\$ 13,508,654	\$ 14,958,258	\$ 12,324,428	\$ 13,870,612	\$ 16,027,076
Restricted	1,495,379	7,871,700	9,055,957	8,556,990	7,274,463	5,865,385	7,317,567	11,822,494	8,136,742	6,638,645
Unrestricted	7,572,632	5,069,951	6,350,540	7,119,910	6,654,427	8,828,818	8,249,906	9,147,017	13,397,377	14,631,975
Total business-type activities net position	\$ 18,621,140	\$ 20,490,793	\$ 24,090,770	\$ 25,661,466	\$ 26,491,108	\$ 28,202,857	\$ 30,525,731	\$ 33,293,939	\$ 35,404,731	\$ 37,297,696
Primary government										
Net investment in capital assets	\$ 19,973,690	\$ 18,173,045	\$ 20,545,147	\$ 22,586,465	\$ 24,900,725	\$ 25,482,058	\$ 27,138,382	\$ 24,108,530	\$ 26,145,969	\$ 30,101,906
Restricted	1,797,508	10,190,452	11,592,339	10,058,990	8,622,362	6,975,395	8,159,179	13,001,266	9,338,530	7,791,496
Unrestricted	8,607,652	5,740,108	7,002,577	8,362,906	9,130,831	12,774,499	12,335,789	13,351,662	17,547,549	18,822,725
Total primary government net position	\$ 30,378,850	\$ 34,103,605	\$ 39,140,063	\$ 41,008,361	\$ 42,653,918	\$ 45,231,952	\$ 47,633,350	\$ 50,461,458	\$ 53,032,048	\$ 56,716,127

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

FINANCIAL TRENDS - TABLE 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General government	\$ 2,831,537	\$ 3,183,881	\$ 3,634,949	\$ 4,044,627	\$ 3,349,726	\$ 3,294,461	\$ 3,077,475	\$ 3,413,092	\$ 3,020,065	\$ 2,347,852
Public safety	2,140,811	2,476,804	2,735,866	2,929,502	2,916,035	2,711,006	2,673,711	2,806,190	2,978,101	3,158,636
Transportation	717,502	366,009	397,629	459,531	458,976	413,470	395,119	446,485	808,823	880,325
Internal services	-	-	-	-	-	-	-	-	-	632,591
Human services	58,827	45,910	43,005	50,240	50,465	50,315	50,540	50,540	50,315	56,000
Culture and recreation	2,091,471	2,695,513	2,864,543	2,655,571	2,305,489	2,247,876	2,321,253	2,296,560	2,370,249	2,294,223
Debt service interest	171,516	149,754	148,539	132,787	118,754	108,775	96,393	72,860	42,669	35,652
Total governmental activities expenses	8,011,664	8,917,871	9,824,531	10,272,258	9,199,445	8,825,903	8,614,491	9,085,727	9,270,222	9,405,279
Business-type activities										
Water and sewer	4,294,565	4,704,082	5,227,354	5,321,385	5,525,551	5,703,301	5,585,105	5,747,117	6,032,848	6,165,016
Sanitation	2,166,820	2,117,758	2,181,810	2,521,127	2,475,747	2,381,779	2,500,894	2,578,749	2,697,627	2,583,986
Stormwater utility - Non-Major Fund	403,819	287,089	205,789	126,596	147,554	233,647	192,640	344,731	253,213	328,466
Total business-type activities expenses	6,865,204	7,108,929	7,614,953	7,969,108	8,148,852	8,318,727	8,278,639	8,670,597	8,983,688	9,077,468
Total primary government expenses	\$ 14,876,868	\$ 16,026,800	\$ 17,439,484	\$ 18,241,366	\$ 17,348,297	\$ 17,144,630	\$ 16,893,130	\$ 17,756,324	\$ 18,253,910	\$ 18,482,747
Niceville-Valparaiso Regional Sewer Board, Inc.								\$ 1,604,853	\$ 1,614,148	\$ 1,772,274
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 2,138,805	\$ 2,350,631	\$ 2,713,053	\$ 2,889,988	\$ 3,118,414	\$ 1,916,363	\$ 1,926,069	\$ 1,786,272	\$ 1,791,966	\$ 1,754,970
Public safety	292,051	213,889	210,445	149,707	119,884	154,755	172,630	212,032	287,408	200,564
Transportation	80,689	74,545	47,150	85,067	54,143	83,251	54,629	71,734	60,701	102,026
Culture and recreation	67,286	148,077	145,935	277,361	205,976	167,764	115,757	117,859	133,293	206,116
Debt service interest	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	330,974	258,095	247,693	322,290	240,072	886,097	124,451	591,789	310,927	1,761,970
Capital grants and contributions	-	-	601,957	127,339	3,987	262,832	46,012	-	238,313	-
Total governmental activities program revenues	2,909,805	3,045,237	3,966,233	3,851,752	3,742,476	3,471,062	2,439,548	2,779,686	2,822,608	4,025,646
Business-type activities										
Charges for services										
Water and sewer	4,605,447	5,314,202	5,357,250	5,462,119	5,671,221	5,711,276	6,629,807	6,450,006	6,594,914	6,710,773
Sanitation	2,009,144	2,205,817	2,283,023	2,570,841	2,694,364	2,712,484	2,673,947	2,717,902	2,794,023	2,828,505
Other programs	477,207	224,862	264,170	359,886	382,421	387,020	413,062	425,818	444,198	453,029
Operating grants and contributions	289,763	-	11,491	-	-	134,450	-	-	-	-
Capital grants and contributions	1,025,543	896,961	2,489,705	759,093	183,932	584,798	669,740	756,433	1,099,718	860,527
Total business-type activities program revenues	8,407,104	8,641,842	10,405,639	9,151,939	8,931,938	9,530,028	10,386,556	10,350,159	10,932,853	10,852,834
Total primary government program revenues	\$ 11,316,909	\$ 11,687,079	\$ 14,371,872	\$ 13,003,691	\$ 12,674,414	\$ 13,001,090	\$ 12,826,104	\$ 13,129,845	\$ 13,755,461	\$ 14,878,480
Component Unit:								\$ 1,885,623	\$ 5,893,094	\$ 2,936,250
Niceville-Valparaiso Regional Sewer Board, Inc.										

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

FINANCIAL TRENDS - TABLE 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expenses) Revenues										
Governmental activities	\$ (5,101,859)	\$ (5,872,634)	\$ (5,858,298)	\$ (6,420,506)	\$ (5,456,969)	\$ (5,354,841)	\$ (6,174,943)	\$ (6,306,041)	\$ (6,447,614)	\$ (5,379,633)
Business-type activities	1,541,900	1,532,913	2,790,686	1,182,831	783,086	1,211,301	2,107,917	1,679,562	1,949,165	1,775,366
Total primary government net expense	\$ (3,559,959)	\$ (4,339,721)	\$ (3,067,612)	\$ (5,237,675)	\$ (4,673,883)	\$ (4,143,540)	\$ (4,067,026)	\$ (4,626,479)	\$ (4,498,449)	\$ (3,604,267)
Component Unit:										
Niceville-Valparaiso Regional Sewer Board, Inc.								\$ 280,770	\$ 4,278,946	\$ 1,163,976
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 1,847,430	\$ 2,213,603	\$ 2,783,565	\$ 2,855,150	\$ 2,582,847	\$ 2,622,000	\$ 2,644,601	\$ 2,662,471	\$ 2,780,076	\$ 2,911,635
Municipal revenue sharing	459,790	480,047	500,539	417,379	367,879	369,855	372,409	380,661	413,344	437,220
Sales taxes	1,402,681	1,453,790	1,395,212	1,366,988	1,151,236	1,147,527	1,245,449	1,315,381	1,346,316	1,438,068
Utility service taxes	1,438,322	1,583,300	1,602,438	1,590,451	1,629,254	1,755,119	1,783,238	1,771,278	1,812,978	1,889,457
Gain (loss) on disposal of asset	-	1,291,512	1,755	-	-	-	-	-	-	-
Miscellaneous	62,054	437,682	703,186	89,608	101,573	111,094	60,701	110,127	89,123	32,945
Investment earnings	87,580	132,692	227,134	179,663	116,902	75,531	47,069	26,023	25,575	21,422
Transfers	12,675	135,110	80,950	218,869	323,193	140,000	100,000	100,000	440,000	440,000
Total governmental activities	5,310,532	7,727,736	7,294,779	6,718,108	6,272,884	6,221,126	6,253,467	6,365,941	6,907,412	7,170,747
Business-type activities										
Miscellaneous	209,843	202,623	147,591	77,606	91,951	107,315	159,992	129,523	179,934	172,072
Equity earnings in joint venture	-	-	-	-	-	380,079	101,436	233,285	388,678	353,962
Contribution other govt-equity in joint venture	-	-	-	-	-	380,079	101,436	787,280	-	-
Gain (loss) on disposal of asset	-	3,516	(45,870)	-	-	-	-	-	-	-
Investment earnings	182,485	265,711	788,520	529,128	277,798	153,054	53,529	38,558	33,015	28,565
Transfers	(12,675)	(135,110)	(80,950)	(218,869)	(323,193)	(140,000)	(100,000)	(100,000)	(440,000)	(440,000)
Total business-type activities	379,653	336,740	809,291	387,865	46,556	880,527	316,393	1,088,646	161,627	114,599
Total primary government	\$ 5,690,185	\$ 8,064,476	\$ 8,104,070	\$ 7,105,973	\$ 6,319,440	\$ 7,101,653	\$ 6,569,860	\$ 7,454,587	\$ 7,069,039	\$ 7,285,346
Niceville-Valparaiso Regional Sewer Board, Inc.										
Miscellaneous								\$ 7,740	\$ 7,740	\$ 7,740
Investment earnings								3,096	2,451	6,469
Total component unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,836	\$ 10,191	\$ 14,209
Change in Net Position										
Governmental activities	\$ 208,673	\$ 1,855,102	\$ 1,436,481	\$ 297,602	\$ 815,915	\$ 866,285	\$ 78,524	\$ 59,900	\$ 459,798	\$ 1,791,114
Business-type activities	1,921,553	1,869,653	3,599,977	1,570,696	829,642	2,091,828	2,424,310	2,768,208	2,110,792	1,889,965
Total primary government	\$ 2,130,226	\$ 3,724,755	\$ 5,036,458	\$ 1,868,298	\$ 1,645,557	\$ 2,958,113	\$ 2,502,834	\$ 2,828,108	\$ 2,570,590	\$ 3,681,079
Niceville-Valparaiso Regional Sewer Board, Inc. (component unit)								\$ 291,606	\$ 4,289,137	\$ 1,178,185

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Reserved	\$ 2,314,759	\$ 2,654,887	\$ 3,028,467	\$ 1,533,498	\$ 1,382,452	\$ 1,135,229	\$ -	\$ -	\$ -	\$ -
Unreserved	971,562	458,294	414,785	1,476,581	2,608,742	4,039,598	-	-	-	-
Nonspendable	-	-	-	-	-	-	33,482	31,332	35,649	31,014
Restricted	-	-	-	-	-	-	841,612	1,178,772	1,201,788	1,152,851
Assigned	-	-	-	-	-	-	1,047,203	1,227,121	1,677,027	1,766,731
Unassigned	-	-	-	-	-	-	3,406,197	3,407,813	2,923,926	2,909,537
Total General Fund	<u>\$ 3,286,321</u>	<u>\$ 3,113,181</u>	<u>\$ 3,443,252</u>	<u>\$ 3,010,079</u>	<u>\$ 3,991,194</u>	<u>\$ 5,174,827</u>	<u>\$ 5,328,494</u>	<u>\$ 5,845,038</u>	<u>\$ 5,838,390</u>	<u>\$ 5,860,133</u>
All other governmental funds										
Unreserved, reported in										
Special Revenue Funds	<u>235,120</u>	<u>261,205</u>	<u>266,054</u>	<u>233,718</u>	<u>250,620</u>	<u>264,355</u>	-	-	-	-
Total all other governmental funds	<u>\$ 235,120</u>	<u>\$ 261,205</u>	<u>\$ 266,054</u>	<u>\$ 233,718</u>	<u>\$ 250,620</u>	<u>\$ 264,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

FINANCIAL TRENDS - TABLE 4

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 4,581,176	\$ 4,740,081	\$ 5,389,062	\$ 4,234,574	\$ 3,963,949	\$ 4,145,876	\$ 4,214,532	\$ 4,252,829	\$ 4,392,496	\$ 4,717,739
Licenses, fees and permits	225,693	196,234	174,893	1,144,642	1,281,782	1,356,038	1,390,147	1,324,796	1,333,336	1,432,316
Intergovernmental	1,905,993	2,371,025	2,933,499	2,645,404	2,241,946	3,132,286	2,215,508	2,682,401	2,722,671	3,959,862
Charges for services	357,007	328,919	424,262	431,724	503,227	580,273	598,464	575,712	622,706	523,554
Fines	130,926	87,164	116,416	76,543	80,670	65,083	66,593	73,740	104,113	58,791
Miscellaneous	171,581	1,895,188	988,811	439,035	299,345	272,631	107,764	136,149	114,704	345,155
Total revenues	7,372,376	9,618,611	10,026,943	8,971,922	8,370,919	9,552,187	8,593,008	9,045,627	9,290,026	11,037,417
Expenditures										
General government	992,574	1,046,928	1,232,394	1,086,517	982,468	2,088,978	1,846,324	2,128,281	1,986,068	1,970,831
Public safety	2,064,566	2,342,736	2,505,906	2,693,209	2,663,960	2,440,452	2,472,693	2,669,849	2,831,053	2,927,718
Transportation	435,604	247,879	266,855	301,387	281,023	246,665	256,304	313,490	674,068	729,349
Internal service	804,511	858,213	851,487	1,108,547	1,064,584	893,900	882,579	913,405	673,423	632,591
Human services	58,827	45,910	43,005	109,866	50,465	50,315	50,540	50,540	50,315	56,000
Culture and recreation	1,884,558	2,479,763	2,633,427	2,418,086	2,139,294	1,987,135	2,069,018	2,050,449	2,139,485	2,045,393
Capital outlay	1,519,459	2,717,019	1,796,892	1,402,943	434,287	413,599	708,775	430,209	1,008,443	2,647,021
Debt service										
Principal	223,758	242,574	294,468	402,958	255,000	265,000	565,000	-	331,150	411,119
Interest	155,492	149,754	148,539	132,787	118,754	108,775	96,393	72,860	42,669	35,652
Total expenditures	8,139,349	10,130,776	9,772,973	9,656,300	7,989,835	8,494,819	8,947,626	8,629,083	9,736,674	11,455,674
Excess of revenues over (under) expenditures	(766,973)	(512,165)	253,970	(684,378)	381,084	1,057,368	(354,618)	416,544	(446,648)	(418,257)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	230,000	-	-	-	-	-	-	-	-
Proceeds from refunding	-	-	-	-	-	-	2,468,930	-	-	-
Retirement of debt	-	-	-	-	-	-	(2,325,000)	-	-	-
Transfers in	2,282,094	2,778,462	2,672,681	2,825,178	3,385,427	3,068,587	3,084,959	100,000	440,000	440,000
Transfers out	(2,269,419)	(2,643,352)	(2,591,731)	(2,606,309)	(2,768,494)	(2,928,587)	(2,984,959)	-	-	-
Total other financing sources (uses)	12,675	365,110	80,950	218,869	616,933	140,000	243,930	100,000	440,000	440,000
Net changes in fund balances	\$ (754,298)	\$ (147,055)	\$ 334,920	\$ (465,509)	\$ 998,017	\$ 1,197,368	\$ (110,688)	\$ 516,544	\$ (6,648)	\$ 21,743
Debt service as a percentage of noncapital expenditures	5.73%	5.29%	5.55%	6.49%	4.95%	4.63%	8.03%	0.89%	4.28%	5.07%

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REVENUE CAPACITY - TABLE 5

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		
2005	\$ 951,985,654	\$ 1,094,783,502	\$ 41,221,076	\$ 47,404,237	\$ 993,206,730	\$ 1,142,187,739	0.87	3.500
2006	\$ 1,281,559,974	\$ 1,473,793,970	\$ 47,619,607	\$ 54,762,548	\$ 1,329,179,581	\$ 1,528,556,518	0.87	3.500
2007	\$ 1,362,018,949	\$ 1,566,321,791	\$ 50,878,591	\$ 58,510,380	\$ 1,412,897,540	\$ 1,624,832,171	0.87	3.267
2008	\$ 1,298,310,689	\$ 1,493,057,292	\$ 55,575,808	\$ 63,912,179	\$ 1,353,886,497	\$ 1,556,969,471	0.87	3.200
2009	\$ 1,033,019,943	\$ 1,187,972,934	\$ 51,741,978	\$ 59,503,275	\$ 1,084,761,921	\$ 1,247,476,209	0.87	3.450
2010	\$ 999,139,246	\$ 1,149,010,133	\$ 48,203,172	\$ 48,203,172	\$ 1,047,342,418	\$ 1,197,213,305	0.87	3.630
2011	\$ 999,764,938	\$ 1,149,729,679	\$ 44,550,042	\$ 44,550,042	\$ 1,044,314,980	\$ 1,194,279,721	0.87	3.650
2012	\$ 1,017,090,334	\$ 1,169,653,884	\$ 47,686,851	\$ 47,686,851	\$ 1,064,777,185	\$ 1,217,340,735	0.87	3.700
2013	\$ 1,056,771,282	\$ 1,215,286,974	\$ 47,009,810	\$ 47,009,810	\$ 1,103,781,092	\$ 1,262,296,784	0.87	3.700
2014*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00	0.000

* Not Available

Source: Okaloosa County Property Appraiser's Office

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

<u>Fiscal Year Ended September 30</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2005	\$ 1,911,693	\$ 1,905,965	99.70%	1,687	\$ 1,907,652	99.79%
2006	\$ 2,290,611	\$ 2,288,267	99.90%	2,033	\$ 2,290,300	99.99%
2007	\$ 2,881,542	\$ 2,879,078	99.91%	2,451	\$ 2,881,529	100.00%
2008	\$ 2,637,560	\$ 2,581,226	97.86%	4,936	\$ 2,586,162	98.05%
2009	\$ 2,708,605	\$ 2,672,327	98.66%	4,091	\$ 2,676,418	98.81%
2010	\$ 2,716,199	\$ 2,468,901	90.90%	2,808	\$ 2,471,709	91.00%
2011	\$ 2,744,174	\$ 2,496,716	90.98%	979	\$ 2,497,695	91.02%
2012	\$ 2,756,699	\$ 2,522,748	91.51%	1,495	\$ 2,524,243	91.57%
2013	\$ 2,879,890	\$ 2,621,636	91.03%	1,558	\$ 2,623,194	91.09%
2014	\$ 3,015,836	\$ 2,755,031	91.35%	4,234	\$ 2,759,265	91.49%

Source: Okaloosa County Tax Collector

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

Fiscal Year	City Direct Rates			Overlapping Rates**	
	Operating Millage	Debt Service Millage	Total Direct	Okaloosa County	School District
2005	3.5000	-	3.5000	4.2500	8.0630
2006	3.5000	-	3.5000	3.6500	7.7860
2007	3.2669	-	3.2669	3.3443	7.6390
2008	3.2000	-	3.2000	3.2995	7.6240
2009	3.4500	-	3.4500	3.2899	7.6390
2010	3.6301	-	3.6301	3.2900	7.5340
2011	3.6500	-	3.6500	3.2899	7.7690
2012	3.7000	-	3.7000	3.2899	7.4760
2013	3.7000	-	3.7000	3.4308	7.5510
2014*	0.0000	-	0.0000	0.0000	0.0000

*Not Available

Source: Okaloosa County Property Appraiser's Office

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

REVENUE CAPACITY - TABLE 8
CITY OF NICEVILLE, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Okaloosa County School Board	\$ 47,708,000	10.83%	\$ 5,166,776
City direct debt:			
Sales tax revenue refunding bonds, Series 2011		100%	874,278
Gas tax revenue refundng bonds, Series 2011		100%	1,263,502
	<u>\$ 47,708,000</u>		<u>\$ 7,304,556</u>

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

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

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

DEBT CAPACITY - TABLE 9

Fiscal Year	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita Debt
	Sales Tax Revenue Bonds	Gas Tax Revenue Bonds	Sales Tax Refunding Bonds	Gas Tax Refunding Bonds	Note Payable	Water and Sewer Revenue Bonds	State Revolving Loans	Notes Payables	Capital Lease Payable			
2005	\$ 1,695,000	\$ 2,425,000	\$ -	\$ -	\$ -	\$ 9,139,836	\$ 4,158,255	\$ 1,230,000	\$ -	\$ 18,648,091	1.73%	\$ 1,432
2006	\$ 1,600,000	\$ 2,295,000	\$ -	\$ -	\$ 212,426	\$ 8,940,116	\$ 6,286,814	\$ 1,065,000	\$ -	\$ 20,399,356	1.58%	\$ 1,567
2007	\$ 1,500,000	\$ 2,155,000	\$ -	\$ -	\$ 157,958	\$ 8,740,657	\$ 5,193,618	\$ 890,000	\$ -	\$ 18,637,233	1.78%	\$ 1,429
2008	\$ 1,400,000	\$ 2,010,000	\$ -	\$ -	\$ -	\$ 7,361,859	\$ 5,318,772	\$ 1,875,000	\$ -	\$ 17,965,631	1.80%	\$ 1,377
2009	\$ 1,295,000	\$ 1,860,000	\$ -	\$ -	\$ -	\$ 7,252,486	\$ 5,692,046	\$ 1,600,000	\$ -	\$ 17,699,532	2.16%	\$ 1,356
2010	\$ 1,185,000	\$ 1,705,000	\$ -	\$ -	\$ -	\$ 7,257,361	\$ 6,036,765	\$ 1,310,000	\$ -	\$ 17,494,126	2.19%	\$ 1,321
2011	\$ -	\$ -	\$ 1,009,101	\$ 1,459,829	\$ -	\$ 6,877,725	\$ 6,897,237	\$ 885,000	\$ -	\$ 17,128,892	2.21%	\$ 1,335
2012	\$ -	\$ -	\$ 1,009,101	\$ 1,459,829	\$ -	\$ 13,740,013	\$ 4,816,914	\$ -	\$ -	\$ 21,025,857	1.66%	\$ 1,625
2013	\$ -	\$ -	\$ 874,278	\$ 1,263,502	\$ -	\$ 12,825,997	\$ 3,689,886	\$ -	\$ 1,340,000	\$ 19,993,663	1.73%	\$ 1,568
2014	\$ -	\$ -	\$ 736,362	\$ 1,064,923	\$ -	\$ 12,779,913	\$ 3,615,347	\$ -	\$ 1,218,000	\$ 19,414,545	2.10%	\$ 1,488

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	Principal	Interest	
2005	\$ 4,949,865	\$ 2,898,724	\$ 2,051,141	\$ 295,000	\$ 379,394	\$ 165,916	\$ 178,343	\$ 155,000	\$ 65,434	\$ -	\$ -	1.66
2006	\$ 5,314,202	\$ 3,300,348	\$ 2,013,854	\$ 350,000	\$ 314,474	\$ 165,181	\$ 108,637	\$ 165,000	\$ 57,375	\$ -	\$ -	1.74
2007	\$ 5,357,250	\$ 3,687,562	\$ 1,669,688	\$ 355,000	\$ 312,592	\$ 204,742	\$ 152,540	\$ 175,000	\$ 48,649	\$ -	\$ -	1.34
2008	\$ 5,459,563	\$ 3,603,796	\$ 1,855,767	\$ 370,000	\$ 419,386	\$ 285,713	\$ 145,038	\$ 185,000	\$ 39,275	\$ -	\$ -	1.28
2009	\$ 5,671,221	\$ 3,813,967	\$ 1,857,254	\$ 290,000	\$ 347,260	\$ 247,889	\$ 149,619	\$ 275,000	\$ 75,435	\$ -	\$ -	1.34
2010	\$ 5,711,276	\$ 3,917,129	\$ 1,794,147	\$ 165,000	\$ 344,627	\$ 335,897	\$ 221,431	\$ 290,000	\$ 62,039	\$ -	\$ -	1.26
2011	\$ 6,629,807	\$ 3,955,406	\$ 2,674,401	\$ 401,101	\$ 342,364	\$ 336,787	\$ 135,172	\$ 425,000	\$ 53,828	\$ -	\$ -	1.58
2012	\$ 6,450,006	\$ 4,127,071	\$ 2,322,935	\$ 656,337	\$ 364,110	\$ 456,486	\$ 135,172	\$ 105,000	\$ 35,530	\$ -	\$ -	1.33
2013	\$ 6,594,914	\$ 4,310,852	\$ 2,284,062	\$ 932,009	\$ 497,033	\$ 158,074	\$ 102,040	\$ -	\$ -	\$ -	\$ 8,367	1.35
2014	\$ 6,710,773	\$ 4,284,869	\$ 2,425,904	\$ 479,478	\$ 358,730	\$ 74,539	\$ 104,246	\$ -	\$ -	\$ 122,000	\$ 8,500	2.11

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.

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DEMOGRAPHIC AND ECONOMIC INFORMATION - TABLE 11

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

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Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Valparaiso Realty	\$ 13,042,037	1	1.60%	\$ 15,734,398	1	1.93%
Ruckel Properties, Inc.	8,104,195	2	1.00%	8,291,564	2	1.02%
Gulf Power Company	7,389,491	3	0.91%	5,375,034	3	0.66%
HCA	5,513,688	4	0.68%			
Mill Creek Village, Inc.	5,508,535	5	0.68%	3,331,597	7	0.41%
Wal-Mart Stores East LP	5,463,142	6	0.67%			
Okaloosa Hospital Inc. 30948	4,251,211	7	0.52%			
Embarq Corp.	4,038,269	8	0.50%			
Spence Bros. Prop., Inc.	3,992,637	9	0.49%	1,595,438	10	0.20%
Sunbelt Rentals #268	3,458,753	10	0.42%			
Hospital Corp. of America				4,872,971	4	0.60%
Sprint				4,214,272	5	0.52%
Twin Cities Hospital				3,572,505	6	0.44%
Kmart Corp				3,221,855	8	0.40%
Phelps, Plenn & Norma J.				1,909,471	9	0.23%
Total	\$ 60,761,958		7.46%	\$ 52,119,105		10.64%
Total Taxable Assessed Value of Other Taxpayers	\$ 751,741,473		92.33%	\$ 437,556,001		89.36%
Total Taxable Assessed Value	\$ 814,217,523		100.00%	\$ 489,675,106		100.00%

Source: Okaloosa County Property Appraiser's Office

DEMOGRAPHIC ECONOMIC INFORMATION - TABLE 12

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

<u>Year</u>	<u>Population</u>	<u>Personal Income*</u>	<u>Per Capita Personal Income</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2005	13,019	\$ 322,116	\$ 24,742	14	22,611	2.8%
2006	13,021	\$ 322,166	\$ 24,742	14	21,387	2.3%
2007	13,044	\$ 331,318	\$ 25,400	14	21,273	2.3%
2008	13,049	\$ 323,824	\$ 24,816	14	21,932	4.8%
2009	13,054	\$ 381,516	\$ 29,226	14	22,681	7.4%
2010	13,248	\$ 383,344	\$ 28,936	14	22,692	7.2%
2011	12,834	\$ 378,025	\$ 29,455	14	22,654	7.0%
2012	12,941	\$ 348,990	\$ 29,655	14	16,128	5.8%
2013	12,749	\$ 345,501	\$ 29,436	14	22,546	4.4%
2014	13,044	\$ 408,003	\$ 31,279	14	20,085	4.1%

*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.

OPERATING INFORMATION - TABLE 13

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Physical arrests	540	571	687	709	491	448	540	419	367	412
Traffic violations	2,308	1,911	3,668	3,443	2,546	2,782	1,933	3,167	2,731	2,371
Fire										
Emergency responses	970	928	982	1,031	1,073	1,207	1,309	1,536	1,514	1,663
Inspections	432	418	425	723	676	401	303	350	439	506
Building										
Permits issued	688	396	275	350	273	377	452	624	1,991	1,775
Library										
Volumes in collection	54,586	56,394	57,988	61,316	66,656	70,933	69,100	71,266	73,294	74,370
Water										
New connections	-	109	61	30	24	62	89	124	148	123
Average daily consumption (thousands of gallons)	2,683	3,003	2,089	3,764	2,578	3,708	3,541	2,348	2,246	2,401

Sources: Various City departments.
Note: Indicators are not available for the general government function.

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OPERATING INFORMATION - TABLE 14

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

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General government										
Executive	2	2	2	2	2	2	2	2	2	2
Financial and administrative	6	6	6	6	6	6	6	5	6	7
Planning	1	1	1	1	1	1	1	0	0	0
Building	3	3	3	3	3	3	3	3	2	2
Other	2	2	2	7	7	7	8	8	10	9
Public safety										
Police	23	23	23	25	25	25	30	30	29	32
Fire	7	6	6	6	6	6	11	11	11	13
Physical environment										
Other public works	8	8	8	12	12	12	15	14	10	10
Transportation	6	6	6	5	5	5	5	4	6	5
Human services	0	0	0	0	0	0	0	0	0	0
Culture and recreation										
Parks and recreation	20	23	23	17	17	17	17	17	17	18
Library	7	8	8	8	8	8	8	8	7	8
Water	19	20	20	16	16	16	16	16	16	17
Sanitation	9	10	10	9	9	9	10	10	9	9
Other	0	0	0	0	0	0	0	0	0	0
Total	<u>113</u>	<u>118</u>	<u>118</u>	<u>117</u>	<u>117</u>	<u>117</u>	<u>132</u>	<u>128</u>	<u>125</u>	<u>132</u>

Source: City Budget Office

CAPITAL ASSET INFORMATION - TABLE 15

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	21	20	20	20	19	19	24	22	25
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	94.7	94.7	94.7	94.7	76.1	76.1	76.1	78.3	78.6	80.2
Streetlights	1,611	1,636	1,646	1,650	1,644	1,674	1,701	1,710	1,726	1,837
Parks and recreation										
Acreage	118.9	118.9	118.9	118.9	118.9	118.9	118.9	118.9	118.9	118.9
Mini-parks	4	4	4	4	4	4	4	4	4	4
Neighborhood parks	8	8	8	8	8	8	8	8	8	8
Community parks	12	12	12	12	12	12	12	12	12	12
Other parks	5	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	126	126	126	126	126	126	126	126	126	126
Fire hydrants	561	561	565	640	640	667	693	693	715	729
Number of service connections	7,913	8,022	8,105	8,210	8,320	8,346	8,395	7,451	8,930	9,763
Storage capacity (thousands of galls)	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350
Wastewater										
Number of sanitary sewers	70	71	71	71	71	68	68	68	68	68
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of service connections	6,805	6,866	6,910	6,997	7,022	7,029	7,271	7,640	7,687	7,919
Storm sewers (miles)	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0

Sources: Various City departments

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

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DEMOGRAPHIC AND ECONOMIC INFORMATION - TABLE 16

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

<u>Taxpayer</u>	2014			2005		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Jacobs Engineering Group, Inc.	1483		0.78%	This information was not available at the time of CAFR completion.		
Fort Walton Beach Medical Center	1250		0.66%			
L-3 Crestview Aerospace	1064		0.56%			
Lockheed Martin Corporation	800		0.42%			
InDyne, Inc.	800		0.42%			
North Okaloosa Medical Center	678		0.36%			
DRS Training and Controls	454		0.24%			
NEW (an Asurion Company)	450		0.24%			
The Boeing Company	419		0.22%			
BAE Systems	410		0.22%			
Total	<u>7,808</u>		<u>4.11%</u>			
Total County Employment	<u>190,083</u> *					

Sources: Economic Development Council of Okaloosa County, Florida.

* US Department of Commerce, United States Census Bureau

IV. COMPLIANCE SECTION

- **COMPLIANCE MATTERS**
- **MANAGEMENT LETTER**
- **RESPONSES TO MANAGEMENT LETTER**

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2014**

Federal/State Agency Pass-Through Entity Federal Program/State Project	CSFA Number	Contract/Grant Number	Expenditures
Florida Department of Environmental Protection			
Indirect Programs - Pass-Through from:			
Florida Communities Trust			
Turkey Creek Walk Park	37.078	011-015-FF11	<u>\$ 1,100,325</u>
Total Florida Department of Environmental Protection			<u>1,100,325</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 1,100,325</u></u>

The accompanying notes are an
integral part of this schedule.

CITY OF NICEVILLE, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2014

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of the City of Niceville, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



45 Eglin Parkway, N.E., Suite 301
Fort Walton Beach, FL 32548
850.244.5121
warrenaverett.com

**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 compliance with Florida Statute 218.415 with regards to investments for the year ended September 30, 2014.

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

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

In our opinion, the City of Niceville, Florida complied, in all material respects, with Florida Statute 218.415 with regards to investments for the year ended September 30, 2014.

Warren Averett, LLC

Fort Walton Beach, Florida
February 27, 2015

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45 Eglin Parkway, N.E., Suite 301
 Fort Walton Beach, FL 32548
 850.244.5121
warrenaverett.com

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

Honorable Mayor and City Council Members
 City of Niceville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Niceville, Florida, as of and for the year ended September 30, 2014, 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 February 27, 2015

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

As required by the provisions of Chapter 10.550, *Rules of the Auditor General*, we have issued a separate management letter dated February 27, 2015, which should be considered in assessing the results of our audit.

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida
February 27, 2015



45 Eglin Parkway, N.E., Suite 301
Fort Walton Beach, FL 32548
850.244.5121
warrenaverett.com

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

Board of Directors
City of Niceville, Florida

Report on Compliance for Major State Project

We have audited the City of Niceville's (the City) compliance with the types of compliance requirements described in the requirements described in the *Executive Office of the Governor's State Projects and Compliance Supplement* that could have a direct and material effect on the City's major state project for the year ended September 30, 2014. The City's major state project is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General*. Those standards, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2014. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with Chapter 10.550.

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 state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, FL
February 27, 2015

**CITY OF NICEVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2014**

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 that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

State Projects

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weaknesses? _____ Yes X None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550 *Rules of the Auditor General* _____ Yes X No

Identification of major programs:

CFSA Number	Name of State Project
37.078	Florida Department of Environmental Protection Turkey Creek Walk Park

Dollar threshold used to distinguish between type A and type B programs \$330,098

II. FINANCIAL STATEMENT FINDINGS

We noted no matters involving noncompliance that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*.

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45 Eglin Parkway, N.E., Suite 301
Fort Walton Beach, FL 32548
850.244.5121
warrenaverett.com

MANAGEMENT LETTER

Honorable Mayor and City Council Members
City of Niceville, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Niceville, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated February 27, 2015.

Auditors' Responsibility

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

Other Reports and Schedule

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 a Major Program and Project and on Internal Control over Compliance in Accordance with Chapter 10.550, *Rules of the Auditor General*, 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 February 27, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Niceville, Florida for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our comments and recommendations are reported under the heading Current Year Findings and Recommendations.

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

CURRENT YEAR FINDING AND RECOMMENDATION

COMMENT 2014-1: COMPLETENESS OF ACCOUNTS PAYABLE AND TIMELY CUTOFF OF EXPENDITURES

Observation

During the audit, we made several adjustments to accounts payable due to invoices either not received before year-end or not provided to the finance department in a timely manner.

Recommendation

We recommend the City establish a procedure for reviewing all post year-end expenditures to ensure proper cut off and that all invoices get forwarded to the finance department in a timely manner to ensure complete and accurate reporting of the City's expenditures and accounts payable at year-end.

Management's Response and Corrective Action Plan

The City will incorporate recommendations into a formal procedure in the upcoming year.

Purpose of this Letter

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

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

Warren Averett, LLC

Warren Averett, LLC.
Fort Walton Beach, Florida
February 27, 2015