



***THE CITY OF CRESTVIEW, FLORIDA***  
**Financial Statements  
 and Supplemental Information**

**Fiscal Year Ended September 30, 2010**





***THE CITY OF CRESTVIEW, FLORIDA***  
**Financial Statements  
and Supplemental Information**

**Fiscal Year Ended September 30, 2010**

Prepared by:  
Finance Division  
City of Crestview  
198 N. Wilson Street  
Crestview, Florida 32536  
<http://cityofcrestview.org>

**CITY OF CRESTVIEW, FLORIDA  
EXECUTIVE DIRECTORY**

**2009-2010**

**COUNCIL**

Charles Baugh,	Council Member
Robert Allen,	Council Member
Linda Parker,	Council Member
Benjamin Iannucci, III,	Council Member
Timothy Grandberry,	Council Member

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David Cadle,	Mayor
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Janice Young,	City Clerk
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\*

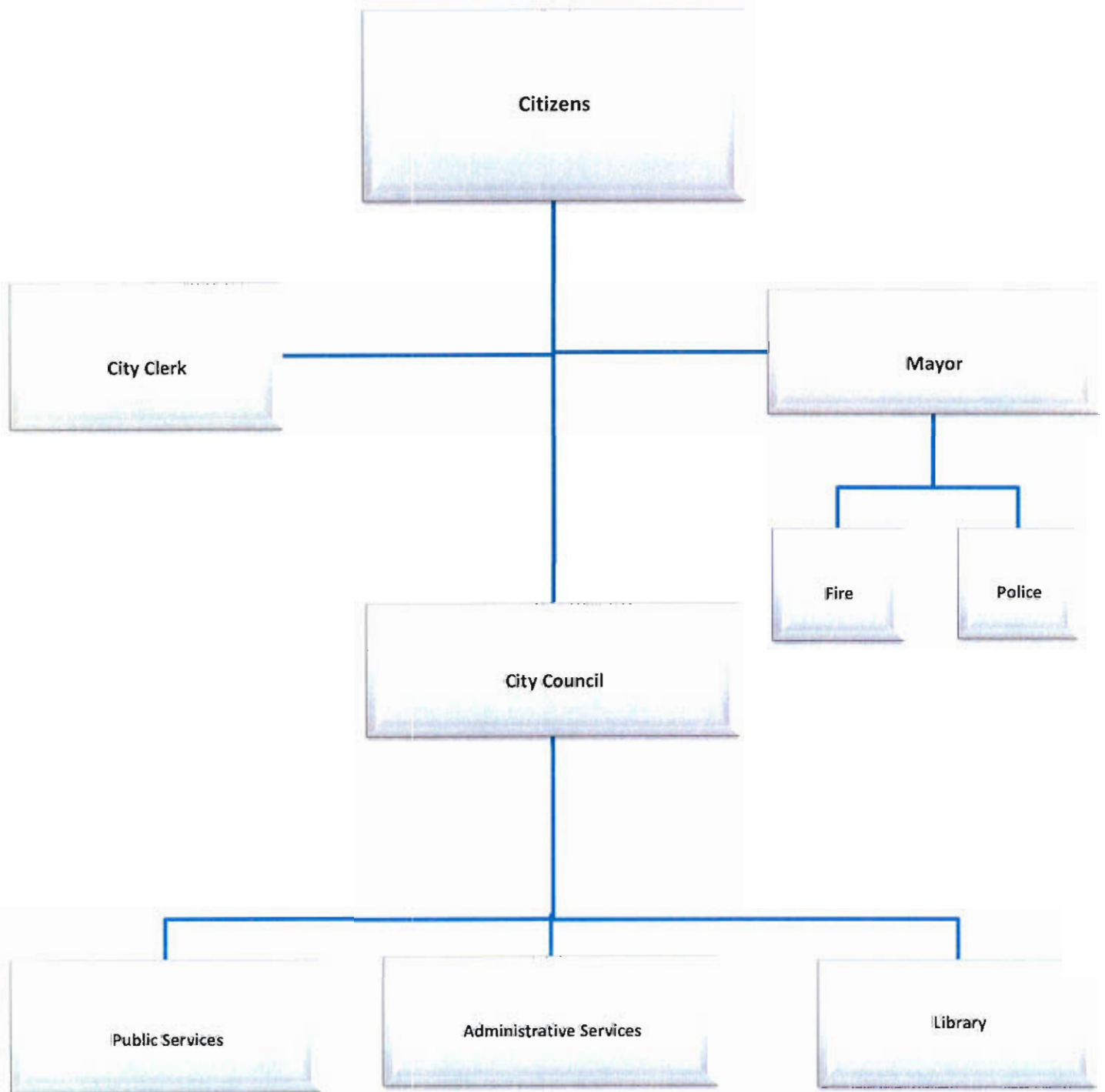
Mike Wing,	Administrative Services
Wayne Steele,	Public Services
Joseph Traylor,	Fire Chief
Brian Mitchell,	Police Chief

\*

Patti Beebe,	Finance Director
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Ben Holley,	City Attorney
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**CITY OF CRESTVIEW  
ORGANIZATIONAL CHART**



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City of Crestview, Florida  
FINANCIAL STATEMENTS AND  
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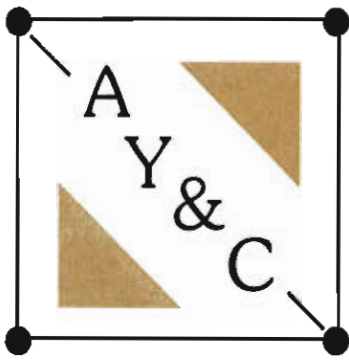
**City of Crestview, Florida**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**  
**September 30, 2010**

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## **II. FINANCIAL SECTION**

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  - ✓ NOTES TO FINANCIAL STATEMENTS**



# ALLEN, YAGOW & CARR

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CERTIFIED

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JAMES A. YAGOW, CPA

ACCOUNTANTS

FRANK W. CARR, CPA

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestview, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Crestview, Florida's management. Our responsibility is to express opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Honorable Mayor and City Council Members  
City of Crestview, Florida  
Independent Auditor's Report (Continued)

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestview, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

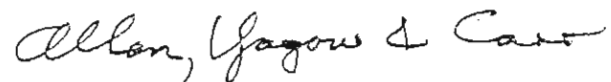
In accordance with *Government Auditing Standards*, we have also issued a report dated May 31, 2011 on our consideration of the City of Crestview, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 16, the Schedule of Funding Progress on page 63 and Schedule of Contributions From the Employer and Other Contributing Entities on page 64 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 inquires 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Crestview, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor and City Council Members  
City of Crestview, Florida  
Independent Auditor's Report (Continued)

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 has 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 this section.



Crestview, Florida  
May 31, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Crestview, we offer readers of the City of Crestview's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Crestview exceeded its liabilities by \$46 million (net assets), and represents an increase of \$74,584 in net assets from the prior year. Of this amount, \$25.46 million represent investments in capital assets (e.g. land, infrastructure, building, machinery and equipment), net of related debt, \$6.93 million are restricted for future obligations, and \$13.65 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The governmental net assets decreased by \$715,826. The decrease in net assets over the prior year can primarily be attributed to the increases in invested capital assets, net of related debt.
- The net assets of the business-type activities of the City increased by \$790,410 from the prior year. The increase is primarily a result of the City managing expenses as the City's growth rate subsides.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4.91 million, or 32% of the total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The focus of the Governmental Accounting Standards Board (GASB) Statement 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 or government to government), and enhance the City's accountability.

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

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Crestview's finances, in a manner similar to a private-sector business. The government-wide financial statements consolidate governmental and business-type activities into two columns, which add to a total for the Primary Government.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Crestview that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Crestview include general government (includes city clerk, city council, mayor, finance, service maintenance and non-departmental expenses), public safety (police, fire and animal control), public works (administration and engineering), transportation (streets and right-of-way), culture and recreation (parks and library) and debt service interest. The business-type activities of the City of Crestview include utilities (water and sewer) and sanitation. The government-wide financial statements are found on pages 16-17 of this report.

## **Fund Financial Statements**

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

## **FUNDS**

### **Governmental Funds**

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

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 18-22 of this report are the basic governmental fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

### **Proprietary Funds**

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Utilities Fund and Sanitation Fund are both considered major proprietary funds. Found on pages 23-27 of this report are the proprietary fund financial statements.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Crestview's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Crestview did not maintain any fiduciary funds during 2010.

## **NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. On page 28 of this report is the beginning of the notes to the financial statements.

## **OTHER INFORMATION**

The combining statements referred to earlier to connection with non-major governmental funds are presented immediately following the notes to the financial statements. Found on pages 62-65 of this report are the combining and individual fund statements and schedules.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Crestview, assets exceeded liabilities by \$46 million (net assets) for the fiscal year ended 2010 as reported in Table 1.

By far the largest portion of the City of Crestview's net assets, \$25.46 million (or 55%), 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 of Crestview uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Crestview 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

STATEMENT OF NET ASSETS  
AS OF SEPTEMBER 30

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 8,371,231	\$ 9,265,941	\$ 15,410,440	\$ 15,428,115	\$ 23,781,671	\$ 24,694,056
Capital Assets	20,994,639	21,365,741	30,493,693	29,503,185	51,488,332	50,868,926
Total Assets	<u>29,365,870</u>	<u>30,631,682</u>	<u>45,904,133</u>	<u>44,931,300</u>	<u>75,270,003</u>	<u>75,562,982</u>
Long-Term Liabilities						
Outstanding	6,467,394	6,213,936	19,169,809	19,046,884	25,637,203	25,260,820
Other Liabilities	1,661,313	2,464,757	1,918,602	1,859,104	3,579,915	4,323,861
Total Liabilities	<u>8,128,707</u>	<u>8,678,693</u>	<u>21,088,411</u>	<u>20,905,988</u>	<u>29,217,118</u>	<u>29,584,681</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	14,843,241	14,959,864	10,620,823	14,524,783	25,464,064	29,484,647
Restricted	1,601,717	1,407,845	5,334,261	4,393,548	6,935,978	5,801,393
Unrestricted	4,792,205	5,585,280	8,860,638	5,106,981	13,652,843	10,692,261
Total Net Assets	<u>\$ 21,237,163</u>	<u>\$ 21,952,989</u>	<u>\$ 24,815,722</u>	<u>\$ 24,025,312</u>	<u>\$ 46,052,885</u>	<u>\$ 45,978,301</u>

An additional portion of the City of Crestview's net assets, \$6.93 million (or 15%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$13.65 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The overall increase in the City's net assets was \$74,584 during FY 2010, which resulted from business-type activities.

## Governmental Activities

Governmental activities decreased the City of Crestview's net assets by \$715,826, and business-type activities increased the City's net assets by \$790,410. Reported in Table 2 are the key elements of this increase.

Table 2  
CHANGE IN NET ASSETS

	Governmental	Governmental	Business-Type	Business-Type	Primary Government	
	Activities	Activities	Activities	Activities	Total	
	2010	2009	2010	2009	2010	2009
<b>REVENUES</b>						
<b>Program revenues</b>						
Charges for services	\$ 3,188,394	\$ 2,626,538	\$ 8,363,185	\$ 8,675,049	\$ 11,551,579	\$ 11,301,587
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	202,536	72,600	2,123,171	1,098,663	2,325,707	1,171,263
<b>General revenues</b>						
Property taxes	5,669,996	6,087,622	-	-	5,669,996	6,087,622
Other taxes	4,755,632	5,021,511	-	-	4,755,632	5,021,511
Other revenue	540,198	769,716	182,971	79,601	723,169	849,317
<b>TOTAL REVENUES</b>	<b>14,356,756</b>	<b>14,577,987</b>	<b>10,669,327</b>	<b>9,853,313</b>	<b>25,026,083</b>	<b>24,431,300</b>
<b>EXPENSES</b>						
<b>Primary government</b>						
General government	2,626,393	2,874,175	-	-	2,626,393	2,874,175
Public safety	8,814,205	8,138,691	-	-	8,814,205	8,138,691
Physical environment	54,255	5,318	-	-	54,255	5,318
Transportation	2,679,026	2,637,200	-	-	2,679,026	2,637,200
Economic environment	-	-	-	-	-	-
Culture and recreation	1,534,052	1,441,379	-	-	1,534,052	1,441,379
Debt service interest	280,294	252,892	-	-	280,294	252,892
<b>Business-type activities</b>						
Water and sewer	-	-	6,007,158	5,607,969	6,007,158	5,607,969
Sanitation	-	-	2,956,116	2,838,487	2,956,116	2,838,487
<b>TOTAL EXPENSES</b>	<b>15,988,225</b>	<b>15,349,655</b>	<b>8,963,274</b>	<b>8,446,456</b>	<b>24,951,499</b>	<b>23,796,111</b>
Increase (decrease) in net assets before transfers	(1,631,469)	(771,668)	1,706,053	1,406,857	74,584	635,189
Transfers	915,643	995,529	(915,643)	(995,529)	-	-
Increase (decrease) in net assets	(715,826)	223,861	790,410	411,328	74,584	635,189
<b>NET ASSETS BEGINNING</b>	<b>21,952,989</b>	<b>21,729,128</b>	<b>24,025,312</b>	<b>23,613,984</b>	<b>45,978,301</b>	<b>45,343,112</b>
<b>NET ASSETS ENDING</b>	<b>\$ 21,237,163</b>	<b>\$ 21,952,989</b>	<b>\$ 24,815,722</b>	<b>\$ 24,025,312</b>	<b>\$ 46,052,885</b>	<b>\$ 45,978,301</b>

## 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, sanitation, impact fees, recreation user fees, etc.).
- Changing Patterns in Intergovernmental Grant Revenue (both recurring and non-recurring) – Certain recurring revenues (state revenue sharing and community development grants) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.
- Market Impacts on Investment Income – The current market conditions have little influence on the City's investment income since the City's investments consists of certificates of deposit.

#### *Expenses*

- Introduction of New Programs – Within functional expense categories, (police, fire, public works, community development, parks and recreation, etc.) individual programs may be added or deleted to meet changing community needs.
- Authorized Position Adjustments – Changes in service demand may cause the City Council to change authorized staffing. Staffing costs (salary and related benefits) represent approximately 47% of the City's operating costs.
- Salary Adjustments – The ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.
- Inflation – While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as paper, chemicals, supplies, fuel, oil, and parts. Some fluctuations may experience commodity specific increases.

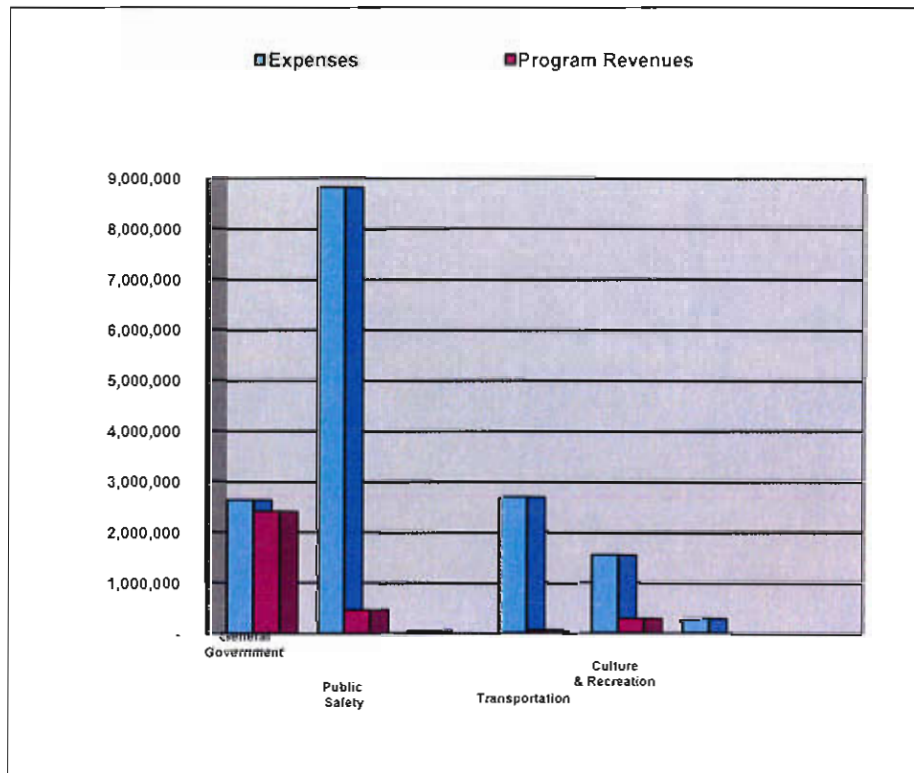
#### *Current Year Impacts – Governmental Activities*

- Net assets increased \$224,000 in the prior year but decreased \$716,000 in the current year as the City's growth rate has subsided from the pace of previous years. While governmental activities revenues increased slightly, expenses increased at a greater rate as the City increased staff to support the growing population of the past few years.
- Property taxes decreased by \$417,000 (or 7%) due to decreases in property valuations.

- Charges for services for governmental activities increased \$562,000 (or 21%) due in part to reclassification of certain revenues mandated by the State for reporting purposes.
- Sales and fuel taxes decreased \$12,000 (or <1%) due to the current economic conditions.
- Other taxes for governmental activities increased \$660,000 (or 21%) due to a reimbursement of communication service taxes.
- Expenses for governmental activities increased \$639,000 (or 4%) primarily to an increase in the cost to do business.
- The City had to supplement its regular contributions to the Police Officers' and Firefighters' Retirement Plan and the General Employees' Retirement Plan by \$152,583 and \$179,690 respectively in the fiscal year ended September 30, 2010, due primarily to payroll increases and variances in actual versus expected investment returns.

Chart 1

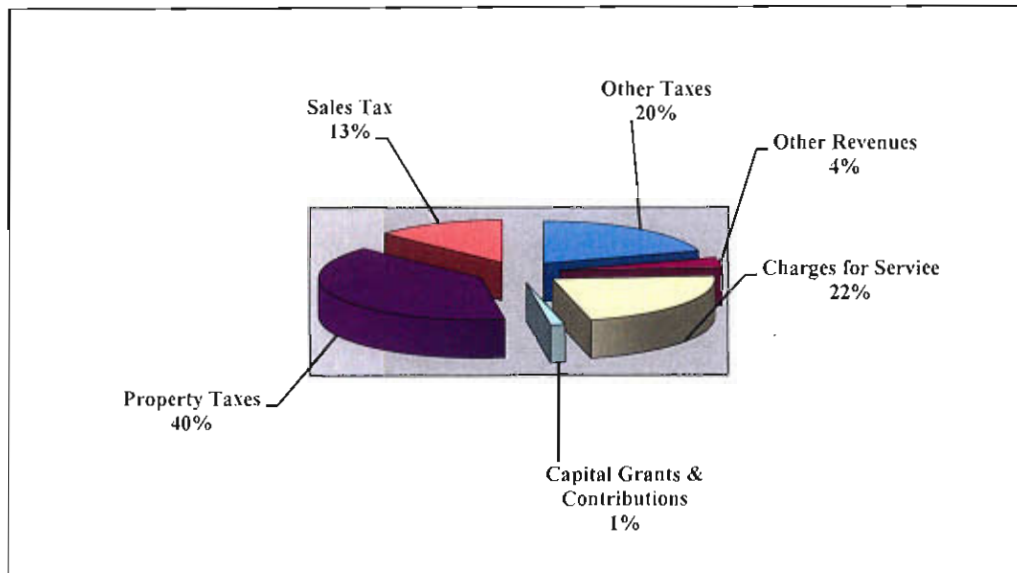
Expenses and Program Revenue – Governmental Activities



## Current Year Impacts – Governmental Activities - continued

Chart 2

Revenues by Source – Governmental Activities



### Business-Type Activities

The net assets from business-type activities increased by \$790,000 (or 3%).

- Net assets increased \$411,000 in the prior year. The 2010 change (+\$379,000) is primarily a result of a \$1,025,000 increase in Utility Fund impact fees, operating revenue and expense fluctuations, (see following paragraphs); and reductions in net non-operating expense (\$184,000).
- Charges for services for business-type activities decreased by \$312,000 (or 4%).
- Total operating expenses increased \$517,000. Significant expenditures increase in personal services for the Utility Fund included \$48,000 in life and health insurance and \$47,000 in retirement. Significant increases in operating expenditures included \$159,000 in contractual services (\$80,000 Utility Fund, \$79,000 Sanitation Fund), \$98,000 in bad debts (\$66,000 Utility Fund, \$32,000 Sanitation Fund), \$69,000 in Utility Fund, and \$54,000 in Depreciation Expense (Utility Fund).

*Business-Type Activities - continued*

Chart 3

Expense and Program Revenue – Business-Type Activities

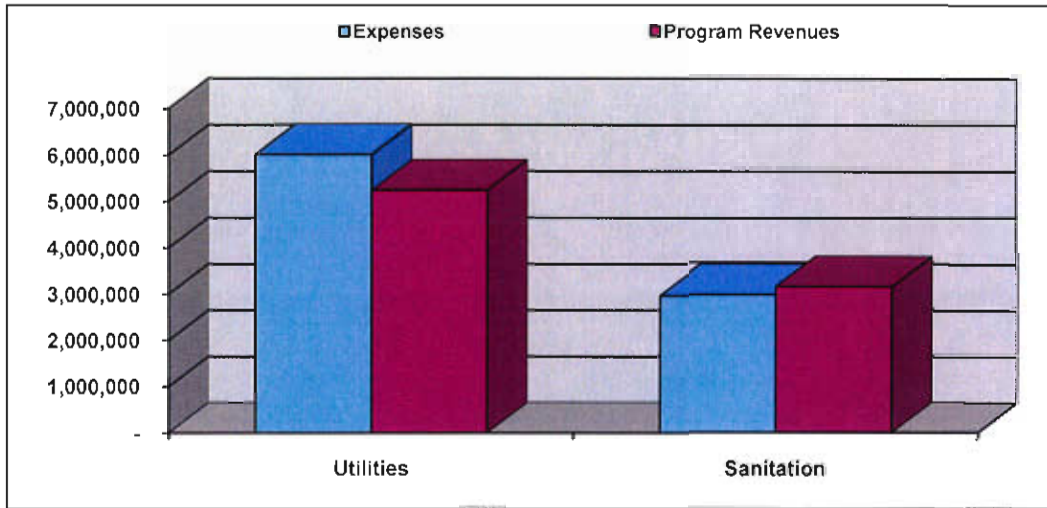
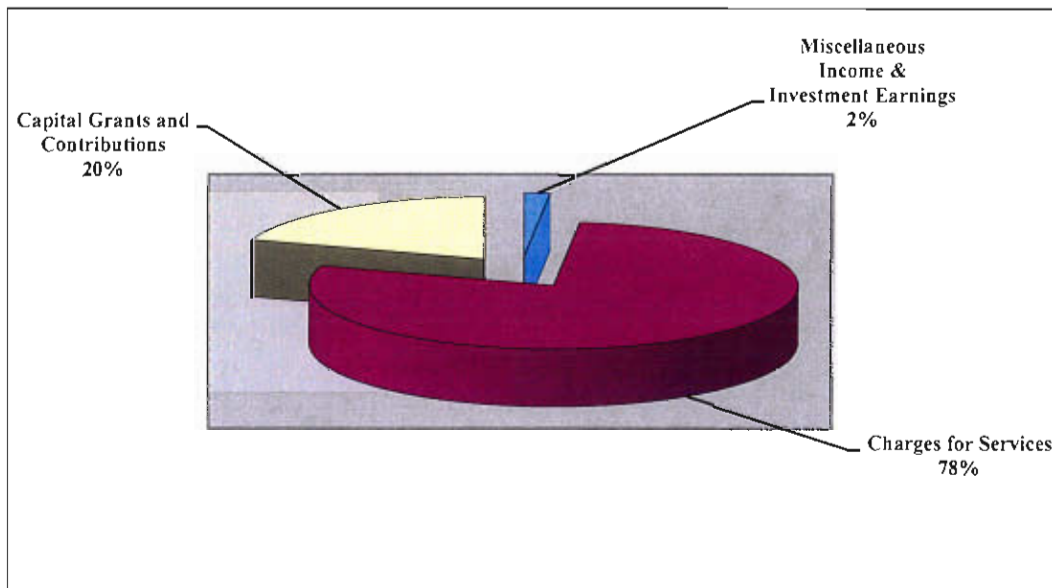


Chart 4

Revenues by Source – Business-Type Activities



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### *Governmental Funds*

The focus of the City of Crestview's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City of Crestview's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Crestview's governmental funds reported combined ending fund balance of \$6.72 million, a decrease of \$553,804 in comparison with the prior year. Approximately 73% of this total amount (\$4.91 million) constitutes unreserved/undesignated fund balance in the General Fund, which is available for spending at the City Council's discretion. Fund balance reservations consist of amounts assessed but not yet received in special assessments (\$26,079) and amounts that will benefit future periods (prepaid expenses, \$184,801). Additionally, other amounts are reserved via restrictions from outside donors, for the purchase of library books (\$13,115 expendable, and \$50,000 non-expendable). The remainder of fund balance is designated to indicate that it is not available for new spending because it has already been committed by the City; 1) for capital improvements (\$292,218), 2) for debt service (\$366,948), 3) for economic development (\$835,622), 4) and for law enforcement (\$43,814).

The General Fund is the chief operating fund of the City of Crestview. At the end of the current fiscal year, unreserved/undesignated fund balance of the General Fund was \$4.91 million, while total fund balance reached \$5.12 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved / undesignated fund balance and total fund balance to total expenditures. Unreserved / undesignated fund balance represents 32% of the total General Fund expenditures, while total fund balance represents 34% of that same amount.

### *Proprietary Funds*

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

Unrestricted net assets of the proprietary funds totaled \$8.86 million at the end of the year; of that the Utilities Fund amounted to \$7.98 million, and the Sanitation Fund totaled \$873,674. The net assets for this fiscal year in the proprietary funds increased by \$790,410. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Crestview's business-type activities.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City's budget was amended several times for the following purposes:

- Increase in intergovernmental revenues is a result of an increase in public safety grants expected.
- To recognize settlement revenues, grants and other transfers that were not anticipated in the adopted budget, and expenditures funded with such revenues.
- Transfer of discretionary appropriations to a contingency reserve to avoid overall budget overruns.

Revenues for the year were less than budgeted by approximately \$5,398. Expenditures were less than budgeted amounts by \$2,191,491.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

The City of Crestview's investments in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$72.56 million (\$51.48 million net of accumulated depreciation). This investment in capital assets includes land, buildings, water, wastewater and drainage systems improvements, machinery and equipment, park facilities, roads, and highways, etc. The total increase in the City of Crestview's investment in capital assets for the current fiscal year was \$619,407, or 1% overall, and is summarized as follows:

- Various vehicles and equipment purchases for public works (\$77,000), and 13 new police cars for the police departments (\$343,000).
- Improvements to parks, buildings, highways and streets (\$1,037,000) and water and sewer system (\$383,000).
- Purchases of library books (\$40,000).
- Purchases of new electronic meters for the utility department (\$254,000).
- Continuation of the work on the additions to the wastewater treatment plant (\$1,958,000) and well #10 (\$834,000).

Table 3  
City of Crestview Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 1,654,801	\$ 1,690,801	\$ 2,168,711	\$ 2,168,711	\$ 3,823,512	\$ 3,859,512
Buildings	8,145,784	8,309,784	8,954,298	8,954,298	17,100,082	17,264,082
Improvements other than buildings	3,947,605	3,955,234	833,656	833,656	4,781,261	4,788,890
Infrastructure	13,298,419	12,601,286	23,385,842	22,066,408	36,684,261	34,667,694
Machinery and equipment	5,149,750	4,919,898	3,107,908	2,797,156	8,257,658	7,717,054
Equipment under capital lease	719,832	377,002	-	-	719,832	377,002
Construction in progress	134,561	371,757	1,065,580	847,696	1,200,141	1,219,453
<b>Total Assets</b>	<b>\$ 33,050,752</b>	<b>\$ 32,225,762</b>	<b>\$ 39,515,995</b>	<b>\$ 37,667,925</b>	<b>\$ 72,566,747</b>	<b>\$ 69,893,687</b>

## Long-term Debt

At the end of the current fiscal year, the City of Crestview had total bonded debt outstanding of \$25.94 million. The City of Crestview's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), state revolving loan, and capital leases. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts, greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt. The City has no general obligation debts greater than one year as of September 30, 2010.

**Table 4**  
**City of Crestview Outstanding Debt**  
**Revenue Bonds, State Revolving Loans and Capital Leases**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue Bonds	\$ 5,929,235	\$ 6,360,373	\$ 12,406,515	\$ 12,869,752	\$ 18,335,750	\$ 19,230,105
State revolving loan	-	-	7,389,222	6,833,068	7,389,222	6,833,068
Capital leases	222,163	45,504	-	-	222,163	45,504
<b>Total Assets</b>	<b>\$ 6,151,398</b>	<b>\$ 6,405,877</b>	<b>\$ 19,795,737</b>	<b>\$ 19,702,800</b>	<b>\$ 25,947,135</b>	<b>\$ 26,108,677</b>

The City of Crestview's total debt decreased by \$161,542 during the 2010 fiscal year.

Additional information on the City of Crestview's long-term debt can be found in Notes 9 and 10 of this report.

## ECONOMIC FACTORS AND NEXT YEARS'S BUDGETS AND RATES

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

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

The military has a significant presence in our community with Duke Field, Eglin Air Force Base and Hurlburt Special Operations, employing military and civilian personnel. These installations are essential to the continued long-term economic vitality of this area. In 2009 (the last available data year) figures show that defense spending injected \$1.46 billion in procurement spending into the Okaloosa County economy. Increased emphasis on military spending at the federal government level and the 2005 BRAC should benefit the Crestview area. The defense-related aerospace industry continues to be a great source of competitive advantage and one of the most powerful economic influences in Okaloosa County, translating to higher wages than available in other sectors of the regional economy.

Regional economic indicators were also considered in preparing the 2009-2010 budget for the City of Crestview.

- The average unemployment rate for the Crestview Metropolitan Statistical Area (MSA) has been 8.0% over the past year, which impacts the City's ability to recruit and retain staff, and has been consistently below the State average of 11.7%. The Crestview MSA unemployment rate as of September 2010 was 8.0 which is an increase of 10% from the prior year.
- Housing Affordability – reported by the University of West Florida- Haas Center for Business Research and Economic Development – increased by 6.8%. The standard definition of housing affordability is that the cost of buying a house uses less than 30% of the purchaser's annual household income. Recent declining house prices, coupled with the lower interest rates, have increased affordability in our area. This indicator affects the City's ability to recruit and retain employees and future population growth.
- Consumer Price Index (CPI) prepared by the US Bureau of Labor Statistics and the most widely-used gauge of inflation – is 0.2% higher than a year ago. This indicator translates into a higher cost of providing services to residents.
- The overall population in the Crestview Area is expected to double in the next three years, based on the addition of the 7<sup>th</sup> Special Forces Personnel and families, development, an available skilled workforce, industrial park space, reasonable housing costs, and planned growth.

## **REQUEST FOR INFORMATION**

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

**City of Crestview, Florida**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,917,269	\$ 6,527,938	\$ 13,445,207
Receivables, net	355,708	578,251	933,959
Due from other funds	34,375	-	34,375
Due from other governments	277,898	890,026	1,167,924
Prepays	184,801	88,089	272,890
Restricted assets			
Cash and cash equivalents	539,286	5,804,018	6,343,304
Certificates of deposit	50,000	1,049,108	1,099,108
Capital assets			
Non-depreciable	1,789,362	3,234,290	5,023,652
Depreciable, net	19,205,277	27,259,403	46,464,680
Other assets			
Bond issue costs, net	11,894	473,010	484,904
<b>TOTAL ASSETS</b>	<b>\$ 29,365,870</b>	<b>\$ 45,904,133</b>	<b>\$ 75,270,003</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 288,390	\$ 311,235	\$ 599,625
Accrued liabilities	505,687	73,435	579,122
Due to other funds	34,375	-	34,375
Due to other governments	401,865	-	401,865
Deferred revenue	22,792	-	22,792
Other current liabilities	179,000	-	179,000
Payable from restricted assets			
Escrow funds	202,660	-	202,660
Accrued interest	26,544	77,132	103,676
Customer deposits		569,758	569,758
Non-current liabilities			
Due within one year	-	-	-
Compensated absences	-	26,972	26,972
Capital leases payable	108,004	-	108,004
Deferred revenue	-	224,220	224,220
Revenue bonds payable	442,636	478,708	921,344
State revolving loan	-	157,142	157,142
Due in more than one year			
Compensated absences	315,996	9,922	325,918
Capital leases payable	114,159	-	114,159
State revolving loan payable	-	7,232,080	7,232,080
Revenue bonds payable	5,486,599	11,927,807	17,414,406
<b>TOTAL LIABILITIES</b>	<b>8,128,707</b>	<b>21,088,411</b>	<b>29,217,118</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,843,241	10,620,823	25,464,064
Restricted			
Debt service	366,948	392,804	759,752
Capital projects	292,218	4,941,457	5,233,675
Public safety	43,814	-	43,814
Community redevelopment	835,622	-	835,622
Other	63,115	-	63,115
Unrestricted	4,792,205	8,860,638	13,652,843
<b>TOTAL NET ASSETS</b>	<b>\$ 21,237,163</b>	<b>\$ 24,815,722</b>	<b>\$ 46,052,885</b>

The accompanying notes are an integral part of these financial statements

**City of Crestview, Florida**  
**STATEMENT ACTIVITIES**  
**Year Ended September 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Function/program activities</b>							
<b>Government activities</b>							
General government	\$ 2,626,393	\$ 2,401,726	\$ -	\$ -	\$ (224,667)	\$ -	\$ (224,667)
Public safety	8,814,205	456,861	-	202,536	(8,154,808)	-	(8,154,808)
Physical environment	54,255	-	-	-	(54,255)	-	(54,255)
Transportation	2,679,026	52,302	-	-	(2,626,724)	-	(2,626,724)
Culture and recreation	1534,052	277,503	-	-	(1,256,547)	-	(1,256,547)
Debt service interest	280,294	-	-	-	(280,294)	-	(280,294)
<b>Total government activities</b>	<b>15,988,225</b>	<b>3,188,394</b>	<b>-</b>	<b>202,536</b>	<b>(12,597,295)</b>	<b>-</b>	<b>(12,597,295)</b>
<b>Business-type activities</b>							
Utilities	6,007,158	5,236,276	-	2,123,171	-	1,332,289	1,332,289
Sanitation	2,956,116	3,126,909	-	-	-	170,793	170,793
<b>Total business-type activities</b>	<b>8,963,274</b>	<b>8,363,185</b>	<b>-</b>	<b>2,123,171</b>	<b>-</b>	<b>1,523,082</b>	<b>1,523,082</b>
<b>Total primary government</b>	<b>\$ 24,951,499</b>	<b>\$ 11,551,579</b>	<b>\$ -</b>	<b>\$ 2,325,707</b>	<b>(12,597,295)</b>	<b>1,523,082</b>	<b>(11,074,213)</b>
<b>General Revenues</b>							
Taxes							
Property taxes					5,669,996		5,669,996
Sales and fuel taxes					1,858,686		1,858,686
Utility service taxes					2,896,946		2,896,946
Intergovernmental, unrestricted					574,497		574,497
Contributions from private sources					25,849		25,849
Miscellaneous					120,761	127,973	248,734
Donation of land and building					(272,984)	-	(272,984)
Investment earnings					92,075	54,998	147,073
Transfer					915,643	(915,643)	-
<b>Total general revenues and transfers</b>					<b>11,881,469</b>	<b>(732,672)</b>	<b>11,148,797</b>
<b>Changes in net assets</b>					<b>(715,826)</b>	<b>790,410</b>	<b>74,584</b>
<b>Net assets - beginning of year</b>					<b>2,195,298</b>	<b>24,025,312</b>	<b>45,978,301</b>
<b>Net assets - end of year</b>					<b>\$ 2,123,763</b>	<b>\$ 24,815,722</b>	<b>\$ 46,052,885</b>

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

**City of Crestview, Florida**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**September 30, 2010**

	<u>General Fund</u>	<u>Other Government Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,364,877	\$ 1,552,392	\$ 6,917,269
Receivables	355,708	-	355,708
Due from other funds	30,000	4,375	34,375
Due from other governments	277,898	-	277,898
Prepays	184,801	-	184,801
Restricted assets			
Cash and cash equivalents	292,619	246,667	539,286
Certificate of deposit	-	50,000	50,000
	<u>\$ 6,505,903</u>	<u>\$ 1,853,434</u>	<u>\$ 8,359,337</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 272,840	\$ 15,550	\$ 288,389
Accrued liabilities	505,687	-	505,687
Due to other funds	-	34,375	34,375
Due to other governments	401,865	-	401,865
Deferred revenue	-	22,792	22,792
Escrow funds	202,660	-	202,660
Other current liabilities	-	179,000	179,000
Total liabilities	1,383,052	251,717	1,634,768
Fund balance			
Reserved			
Assessments	26,079	-	26,079
Prepays	184,801	-	184,801
Library books, expendable	-	13,115	13,115
Library books, non-expendable	-	50,000	50,000
Unreserved			
Designated			
Community redevelopment	-	835,622	835,622
Law Enforcement	-	43,814	43,814
Capital projects	-	292,218	292,218
Debt service	-	366,948	366,948
Undesignated general fund	4,911,971	-	4,911,971
Total fund balance	5,122,851	1,601,717	6,724,568
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 6,505,902</u>	<u>\$ 1,853,434</u>	<u>\$ 8,359,336</u>

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

**City of Crestview, Florida**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

Fund balance - total governmental funds		\$ 6,724,568
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental non-depreciable assets	\$ 1,789,362	
Governmental depreciable assets	31,261,390	
Less accumulated depreciation	<u>(12,056,113)</u>	20,994,639
Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Bond issuance costs	\$ 26,167	
Less amortization	<u>(14,273)</u>	11,894
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Revenue bonds payable	\$ (5,929,235)	
Accrued interest	(26,544)	
Capital leases	(222,163)	
Compensated absences	<u>(315,996)</u>	<u>(6,493,938)</u>
Net assets of governmental activities		<u>\$ 21,237,163</u>

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

**City of Crestview, Florida**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Year Ended September 30, 2010**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 8,919,064	\$ 191,056	\$ 9,110,120
Licenses and permits	1,763,967	322,199	2,086,166
Intergovernmental	2,180,335	437,549	2,617,884
Charges for services	262,431	-	262,431
Fines and forfeits	84,709	47,932	132,641
Interest	85,695	6,381	92,076
Miscellaneous	227,474	75,100	302,574
<b>TOTAL REVENUES</b>	<u>13,523,675</u>	<u>1,080,217</u>	<u>14,603,892</u>
<b>EXPENDITURES</b>			
Current			
General governmental services	2,484,148	41,727	2,525,875
Public safety	8,359,635	37,283	8,396,918
Transportation	2,199,597	-	2,199,597
Culture and recreation	1,305,329	-	1,305,329
Capital outlay	673,783	472,129	1,145,912
Debt service			
Principal	166,171	431,137	597,308
Interest	2,290	268,789	271,079
<b>TOTAL EXPENDITURES</b>	<u>15,190,953</u>	<u>1,251,065</u>	<u>16,442,018</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,667,278)</u>	<u>(170,848)</u>	<u>(1,838,126)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,623,568	394,722	2,018,290
Transfers out	(1,072,647)	(30,000)	(1,102,647)
Contributions from private sources	25,849	-	25,849
Debt proceeds	342,830	-	342,830
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>919,600</u>	<u>364,722</u>	<u>1,284,322</u>
<b>NET CHANGE IN FUND BALANCE</b>	(747,678)	193,874	(553,804)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>5,870,529</u>	<u>1,407,843</u>	<u>7,278,372</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,122,851</u>	<u>\$ 1,601,717</u>	<u>\$ 6,724,568</u>

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

**City of Crestview, Florida**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2010**

Net change in fund balance - total governmental funds \$ (553,804)

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 allocated over their  
estimated useful lives as depreciation expense.

Expenditures for capital assets, net of disposals	872,928	
Less current year depreciation	<u>(1,244,029)</u>	(371,101)

The issuance of long-term debt provides current financial resources to  
governmental funds, while the repayment of the principal of long-term debt  
consumes current financial resources of governmental funds. Neither  
transaction, however, has any effect on net assets. In addition, interest  
on long-term debt is not recognized until due under the modified accrual basis,  
rather than as it accrues. Also, governmental funds report the effect of issuance  
costs, premiums, discounts and similar items when debt is first issued, whereas  
these amounts are deferred and amortized in the statement of activities.

Debt proceeds	(342,830)	
Principal payments on long-term debt	597,308	
Change in accrued interest on long-term debt	(9,215)	
Amortization of current year bond costs	<u>(2,379)</u>	242,884

Some expenses reported in the statement of activities do not require the use of  
current financial resources and therefore are not reported as expenditures in  
governmental funds

Change in long-term compensated absences		<u>(33,805)</u>
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Change in net assets of governmental activities		<u>\$ (715,826)</u>
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The accompanying notes are an integral  
part of these financial statements.

**City of Crestview, Florida**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**- BUDGET AND ACTUAL**  
**Year Ended September 30, 2010**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 8,314,166	\$ 8,919,068	\$ 8,919,064	\$ (4)
Licenses and permits	1,109,462	1,762,362	1,763,967	1,605
Intergovernmental	1,938,920	2,173,038	2,180,335	7,297
Charges for services	251,952	262,432	262,431	(1)
Fines and forfeits	96,129	84,708	84,709	1
Interest	120,000	85,695	85,695	-
Miscellaneous	100,456	230,974	227,474	(3,500)
<b>TOTAL REVENUES</b>	<b>11,931,085</b>	<b>13,518,277</b>	<b>13,523,675</b>	<b>5,398</b>
<b>EXPENDITURES</b>				
Current				
General government services	3,193,304	4,457,173	2,484,148	1,973,025
Public safety	8,159,292	8,481,405	8,359,635	121,770
Transportation	2,383,779	2,474,276	2,199,597	274,679
Culture and recreation	1,289,789	1,346,452	1,305,329	41,123
Capital outlay	607,482	575,342	673,783	(98,441)
Debt services	49,895	47,796	168,461	(120,665)
<b>TOTAL EXPENDITURES</b>	<b>15,683,541</b>	<b>17,382,444</b>	<b>15,190,953</b>	<b>2,191,491</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(3,752,456)</b>	<b>(3,864,167)</b>	<b>(1,667,278)</b>	<b>2,196,889</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	30,000	1,623,568	1,623,568	-
Transfers in	-	-	(1,072,647)	(1,072,647)
Contributions from others	-	25,849	25,849	-
Debt proceeds	-	-	342,830	342,830
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>30,000</b>	<b>1,649,417</b>	<b>919,600</b>	<b>(729,817)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,722,456)</b>	<b>(2,214,750)</b>	<b>(747,678)</b>	<b>1,467,072</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>3,722,456</b>	<b>2,214,750</b>	<b>5,870,529</b>	<b>3,655,779</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,122,851</b>	<b>\$ 5,122,851</b>

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

**City of Crestview, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

	<u>Utilities</u>	<u>Sanitation</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 5,636,331	\$ 891,607	\$ 6,527,938
Receivables, net	357,061	221,190	578,251
Prepays	88,089	-	88,089
Due from other governments	890,026		890,026
	<u>6,971,507</u>	<u>1,112,797</u>	<u>8,084,304</u>
Total current assets			
Non-current assets			
Restricted assets			
Cash and cash equivalents	5,804,018	-	5,804,018
Investments	1,049,108	-	1,049,108
	<u>6,853,126</u>	<u>-</u>	<u>6,853,126</u>
Total restricted assets			
Capital assets, net			
Non-depreciable	3,234,290	-	3,234,290
Depreciable, net	27,259,403	-	27,259,403
	<u>30,493,693</u>	<u>-</u>	<u>30,493,693</u>
Total capital assets			
Other assets			
Bond issue costs, net	473,010	-	473,010
	<u>37,819,829</u>	<u>-</u>	<u>37,819,829</u>
Total non-current assets			
<b>TOTAL ASSETS</b>	<u><u>\$ 44,791,336</u></u>	<u><u>\$ 1,112,797</u></u>	<u><u>\$ 45,904,133</u></u>

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

**City of Crestview, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENTS OF NET ASSETS - CONTINUED**  
**September 30, 2010**

	<u>Utilities</u>	<u>Sanitation</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts Payable	\$ 72,112	\$ 239,123	\$ 311,235
Accrued liabilities	9,753	-	9,753
Compensated absences	26,972	-	26,972
Wages and other employee compensation	63,682	-	63,682
Accrued interest	77,132	-	77,132
Revenue bonds payable	478,708	-	478,708
Deferred revenue	224,220	-	224,220
State revolving loan	157,142	-	157,142
Payable from restricted assets			
Customer deposits	569,758	-	569,758
<b>Total current liabilities</b>	<b>1,679,479</b>	<b>239,123</b>	<b>1,918,602</b>
Non-current liabilities			
Compensated absences	9,922	-	9,922
State revolving loan	7,232,080	-	7,232,080
Revenue bonds payable	11,927,807	-	11,927,807
<b>Total non-current liabilities</b>	<b>19,169,809</b>	<b>-</b>	<b>19,169,809</b>
<b>TOTAL LIABILITIES</b>	<b>20,849,288</b>	<b>239,123</b>	<b>21,088,411</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,620,823	-	10,620,823
Restricted			
Debt service	392,804	-	392,804
Capital improvements	4,941,457	-	4,941,457
Unrestricted	7,986,964	873,674	8,860,638
<b>TOTAL NET ASSETS</b>	<b>\$ 23,942,048</b>	<b>\$ 873,674</b>	<b>\$ 24,815,722</b>

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

**City of Crestview, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Year Ended September 30, 2010**

	<u>Utilities</u>	<u>Sanitation</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 5,236,276	\$ 3,126,909	\$ 8,363,185
<b>OPERATING EXPENSES</b>			
Personal services	1,740,070	-	1,740,070
Operating	2,585,024	2,956,116	5,541,140
Depreciation	877,931	-	877,931
<b>TOTAL OPERATING EXPENSES</b>	<u>5,203,025</u>	<u>2,956,116</u>	<u>8,159,141</u>
<b>OPERATING INCOME</b>	33,251	170,793	204,044
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Transfer in (out)	(165,643)	(750,000)	(915,643)
Interest expense	(774,572)	-	(774,572)
Other debt services costs	(29,561)	-	(29,561)
Interest	47,410	7,588	54,998
Miscellaneous	127,971	-	127,971
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(794,395)</u>	<u>(742,412)</u>	<u>(1,536,807)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	(761,144)	(571,619)	(1,332,763)
Contributed capital - impact fees	2,123,171	-	2,123,171
<b>CHANGE IN NET ASSETS</b>	1,362,027	(571,619)	790,408
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>22,580,018</u>	<u>1,445,293</u>	<u>24,025,311</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 23,942,045</u>	<u>\$ 873,674</u>	<u>\$ 24,815,719</u>

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

**City of Crestview, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2010**

	<u>Utilities</u>	<u>Sanitation</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 5,442,348	\$ 3,145,980	\$ 8,588,328
Payments to suppliers	(2,804,436)	(2,955,595)	(5,760,031)
Payments to employees	(1,693,484)	-	(1,693,484)
Miscellaneous income	127,973	-	127,973
Net cash provided (used) by operating activities	1,072,401	190,385	1,262,786
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Increase in due from other governments	(890,026)	-	(890,026)
Proceeds from sales and maturities	(949,108)	-	(949,108)
Net cash provided (used) by non-capital financing activities	(1,839,134)	-	(1,839,134)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisitions of fixed assets	(1,868,438)	-	(1,868,438)
Proceeds from impact fees	2,123,171	-	2,123,171
Debt Proceeds	890,026	-	890,026
Principal paid on notes payable	(797,089)	-	(797,089)
Interest and other costs paid on bonds, loans, and leases payable	(776,648)	-	(776,648)
Net cash provided (used) by capital and related financing activities	(428,978)	-	(428,978)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	47,410	7,588	54,998
Transfer to other funds	(165,643)	(750,000)	(915,643)
Net cash provided (used) by investing activities	(118,233)	(742,412)	(860,645)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,313,944)	(552,027)	(1,865,971)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	12,754,293	1,443,634	14,197,927
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 11,440,349</u>	<u>\$ 891,607</u>	<u>\$ 12,331,956</u>

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

**City of Crestview, Florida**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS - CONTINUED**  
**Year Ended September 30, 2010**

	<u>Utilities</u>	<u>Sanitation</u>	<u>Total</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
Current assets	\$ 5,636,331	\$ 891,607	\$ 6,527,938
Restricted assets	5,804,018	-	5,804,018
Total cash and cash equivalents	<u>\$ 11,440,349</u>	<u>\$ 891,607</u>	<u>\$ 12,331,956</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income	33,251	170,793	204,044
Adjustments to reconcile operating income to net cash provided by operating activities			-
Depreciation	877,931	-	877,931
Increase in allowance for bad debts	30,000	15,000	45,000
Miscellaneous revenue	130,078	-	130,078
Decrease (increase) in assets			-
Accounts receivable	(66,392)	4,071	(62,321)
Prepaid expenses	(19,902)	-	(19,902)
Increase (decrease) in liabilities			-
Accounts payable	(201,615)	521	(201,094)
Compensated absences payable	1,586	-	1,586
Wages	35,247	-	35,247
Other liabilities	9,753	-	9,753
Deferred revenue	224,220	-	224,220
Customer deposits	18,244	-	18,244
Net cash provided (used) by operating activities	<u>\$ 1,072,401</u>	<u>\$ 190,385</u>	<u>\$ 1,262,786</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS</b>			
Amortization of bond issue costs and discounts	\$ 28,811	\$ -	\$ 28,811
Amortization of deferred loss on refunding	<u>\$ 2,107</u>	<u>\$ -</u>	<u>\$ 2,107</u>

The accompanying notes are an integral part of these financial statements

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

The City of Crestview, Florida, (the City) was originally incorporated as the Town of Crestview under general law on April 11, 1916. This incorporation was validated by act of the Florida Legislature in 1917. The town was re-incorporated by Ch. 9718, Acts 1923, and Ch. 25754, Special Acts 1949, as the City of Crestview. The City operates under the Council-Mayor form of government, and provides the following services: public safety (police and fire), roads and streets, water and sewer, sanitation, culture and recreation, public improvements, planning and zoning and general administrative services.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with, or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

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

**A. The Reporting Entity**

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Crestview (the primary government) and its component unit. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not financially be accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB No. 14 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB No 14, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific 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

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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

**A. The Reporting Entity (Continued)**

such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Crestview Community Redevelopment Agency (the Agency) was established by the City as a separate legal entity in accordance with Florida Statute 166.021, Chapter 163, Part III. The Agency oversees the redevelopment of the downtown area. The Community Redevelopment Board of Commissioners consists of the City Council. The President and Vice President of the City Council function as the Chairman and Vice Chairman of the Community Redevelopment Agency. In addition, City employees manage the Agency's assets. The Agency is reported in the financial statements of the primary government as a "blended component unit" as defined by GASB 14. Separate financial statements of the Agency are not prepared.

The City of Crestview employees may participate in one of two public employee retirement plans: a General Employees Plan or a Police Officers/Firefighters Plan. Each plan is administered by a separate five-person retirement board consisting of two members appointed by the City Council, two elected members of the plan, and a fifth member elected by the other four and appointed by the City Council. All financial, actuarial and policy decisions are made by the Board. In addition, contributions by the City can be terminated at any time. Therefore, these organizations have not been included in the reporting entity as component units defined by GASB 14 as of September 30, 2010.

The City of Crestview Housing Authority (the Authority) is considered a related organization to the City rather than a component unit. The Mayor of the City of Crestview, Florida appoints each of the five board members of the Authority. The Mayor and members of the City Council have no oversight responsibility nor any financial relationship with the Authority, other than providing certain security services. Thus, the Crestview Housing Authority is determined not to be a part of the reporting entity as defined by GASB 14 and is not included as a component unit in the financial statements of the City of Crestview, Florida.

**B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. 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.

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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

**B. 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.

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

**C. Measurement Focus and Basis of Accounting**

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

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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

**C. Measurement Focus and Basis of Accounting (Continued)**

Franchise taxes, 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. Only the portion of special assessments receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The following is the current property tax calendar:

Lien Date	January 1, 2010
Levy Date	November 1, 2010
Due Date	November 1, 2010
Delinquent Date	April 1, 2011

Discounts of 1% for each month taxes are paid prior to March 2011, are granted.

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 2010 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.

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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

**D. Basis of Presentation**

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City considers all impact fee revenue as capital contributions for the water and sewer system; therefore, no amount from the impact fee is included in operating revenue. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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.

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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

**D. Basis of Presentation (Continued)**

*General Fund* - This is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments, street and highway maintenance, public safety, parks, library, and recreation programs are accounted for in this fund.

**Proprietary**

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

*Utility Fund* - Used to account 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 operation of the City that provides for solid waste collection, disposal, and/or recycling.

**E. Assets, Liabilities, and Net Assets 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.

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, collateralized interest-bearing time deposits or savings accounts in State or Federal banks or savings and loan associations, debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Government National Mortgage Association, 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 United

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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

**E. Assets, Liabilities, and Net Assets or Equity (Continued)**

*Cash and Cash Equivalents (Continued)*

States 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 requires the City to maintain deposits only with "Qualified Public Depositories." The City maintains a cash pool available for use by all funds. Earnings from the pool are allocated to the respective funds based on applicable cash participation by each fund.

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

Certain cash accounts in the general and utilities fund are invested in the Local Government Surplus Trust Fund, operated by Florida's State Board of Administration (SBA). The SBA is governed by Chapter 19-1 of the Florida Administrative Code (FAC). The FAC provides guidance and establishes the general operating procedures for the administration of the Local Government Surplus Trust Funds. Additionally, the Florida Auditor General performs an operational audit of activities and investments of the SBA. In accordance with GASB Statement Number 31, Local Government Surplus Trust Fund is a "2A-7 like" pool and thus, SBA investments are valued at fair value using the pooled share price. City investments with the SBA may be made or liquidated by wire on a same day basis, with the exception of certain minor balances that are distributed as they become available from maturities, sales, and received income.

*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

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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

**E. Assets, Liabilities, and Net Assets or Equity (Continued)**

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 by analytically reviewing the aging of receivables compared to the total account write-offs during the current year. This information is then compared to a trend analysis of the aging of receivables to account write-offs over the past several years.

Restricted Assets

Certain proceeds of fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. In addition, restricted assets include funds set aside for repayment of customer deposits and capital improvements.

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, individual cost of \$1,000 or more and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

GASB No. 34 required the City to report and depreciate new infrastructure assets effective with the fiscal year ending September 30, 2003. Infrastructure assets include roads, drainage systems, water and sewer systems, etc., both constructed and donated by developers. Constructed infrastructure has been reported in prior financial statements but not depreciated, until the fiscal year ended September 30, 2003. Developer-donated roads, drainage systems, water and sewer systems, etc., accepted by the City in return for maintenance have been capitalized and depreciated, beginning in fiscal year ending September 30, 2003.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. The amount of interest to be capitalized is calculated by offsetting

City of Crestview, Florida  
**NOTES TO FINANCIAL STATEMENTS**  
 September 30, 2010

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

**E. Assets, Liabilities, and Net Assets or Equity (Continued)**

interest expense incurred from the date of the borrowing until the completion of the project with interest earned on the invested proceeds over the same period.

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

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

Compensated Absences

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

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

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

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

Sick leave is accrued at the rate of eight hours per month for all employees with the exception of firefighters, who accrue sick leave at the rate of 12 hours per month. Upon retirement of a vested employee, all accrued sick leave will be converted and serve as city service for the purpose of retirement pay computations. In addition, the City will pay (if requested by the employee) for 40

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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

**E. Assets, Liabilities, and Net Assets or Equity (Continued)**

hours of unused leave each December, which is expensed as paid. However, the employee must have a minimum of 40 hours of sick leave remaining after the payment.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are restricted by outside parties for use as a specific purpose. Designations of fund balances represent tentative management plans that are subject to change. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

**F. 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.

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted by ordinance for all governmental and proprietary funds.

However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year end except for appropriations related to multiyear capital projects.

Budgetary data reflected in the financial statements are established by the following procedures: Prior to September 1 of each year, the City Council prepares in detail and adopts a budget of anticipated revenues and expenditures for all City purposes for the ensuing fiscal year.

Proposed budgets are advertised in a newspaper of general circulation in the City and detailed in the minutes of the Council. Public hearings are conducted for the purposes of receiving input, responding to complaints, and providing reasons and explanations for intended actions to all citizens participating. When the budget is adopted, it has the force and effect of appropriations for the various items and purposes specified.

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

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment management pool in which each fund participates on a dollar equivalent and daily transaction basis. The City's cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, certificates of deposit and pooled investments of the Local Government Surplus Trust Fund. Interest income (which includes unrealized gains and losses) is distributed monthly based on average daily balances.

The Local Government Surplus Trust Fund is operated by Florida's State Board of Administration (SBA). Further details about investments held in the SBA Trust Fund may be found in Note 1E.

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The City's cash and investment management pool is considered to be cash equivalent for reporting purposes because it is an internally managed fund, which allows individual funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty.

**Deposits**

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 financial institution, the Treasurer will pay public depositors all losses in excess of insurance and collateral through assessments among all Qualified Public Depositories.

The value of the City's deposits at September 30, 2010, excluding those held by the Florida Local Government Surplus Trust Fund was \$18,064,463, and was held by qualified public depositories under Chapter 280, Florida Statutes.

**Investments**

The types of investments, which can be made by the City, are restricted by State Statutes, bond ordinances, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1D.

As of September 30, 2010, the City's investments consist of those held in the Local Government Surplus Trust Fund (the Trust Fund), and various equity and debt investments maintained in the City's pension funds. At September 30, 2010, the fair value of the investment held in the Trust Fund was \$1,689,902 and \$34,146 in Pool B (See Note 1E).

**Pension Fund Investments**

As of September 30, 2010, the City's Pension Funds included the following investments and maturities:

	Fair Value (Thousands)	INVESTMENT MATURITIES (YEARS)						
		1	1-5	6-10	11-15	16-20	21-25	>25
Corporate bonds	\$ 2,591,584	\$ 20,776	\$ 1,465,548	\$ 887,321	\$ -	\$ -	\$ -	\$ 217,939
Corporate asset backed securities	204,944	-	-	-	6,691	-	17,125	181,128
U.S. Treasury	212,813	-	196,532	16,281	-	-	-	-
U.S. government agency pools	3,831,453	261,764	759,706	771,404	279,820	24,442	451,096	1,283,221
Foreign bonds	193,557	-	123,489	70,068	-	-	-	-
	<u>\$ 7,034,351</u>	<u>\$ 282,540</u>	<u>\$ 2,545,275</u>	<u>\$ 1,745,074</u>	<u>\$ 286,511</u>	<u>\$ 24,442</u>	<u>\$ 468,221</u>	<u>\$ 1,682,288</u>
Other investments								
Money market funds	\$ 730,274							
Corporate equities	11,138,935							
Foreign Stocks	-							
Corporate equity mutual funds	17,849							
Total	<u>\$ 18,921,409</u>							

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

***Pension Fund Investments (Continued)***

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

*Credit Rate Risk* –According to the General Employees' Retirement Plan and the Police Officers' and Firefighters' Retirement Plans, investments in corporate bonds are limited to investment grade bonds as rated by Standard and Poor's and Moody's investment ratings service. All corporate debt was limited to investment grade as of September 30, 2010. The City's only exposure to credit rate risk is in the investments held in the Local Government Surplus Trust Fund.

*Concentration of Credit Risk* - The investment limits for an individual company security are summarized below:

Security	General Employees Retirement Plan	Police Officers and Firefighters Retirement Plan
Equities (Common Stock)	3% of Value of Plan Assets	5% of Value of Plan Assets
Fixed Income (Bonds)	3% of Value of Plan Assets	3% of Value of Plan Assets
Foreign securities in total may not exceed:	10% of value of Plan Assets	25% of Value of Plan Assets

Fixed income investments must generally meet certain investment grading standards, and equities must be traded on a national exchange. Investments in corporate common stocks and convertible bonds are limited to 70% of the Market Value at each Plan's assets. Similar grading and/or trading criteria apply to Mutual Funds, Money Market Funds, U.S. Government Backed Securities, etc. None of the above limitations was exceeded by either plan at September 20, 2010. Investment policies are subject to a review at least once annually by the Board of Trustees of each plan.

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2010, were as follows:

	Governmental Activities		Business-Type Activities		Total
	General	Non- Major	Utilities	Sanitation	
Taxes	\$ 328,579	\$ -	\$ -	\$ -	\$ 328,579
Accounts	-	-	566,152	296,190	862,322
Less allowance for doubtful accounts	-	-	(209,071)	(75,000)	(284,071)
Assessments	26,079	-	-	-	26,079
Other	1,050	-	-	-	1,050
Receivables, net	355,708	-	357,061	221,190	933,959
Intergovernmental	277,898	-	-	-	277,898
Total	\$ 633,606	\$ -	\$ 357,061	\$ 221,190	\$ 1,211,857

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5 – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010, was as follows:

*Primary Government*

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,690,801	\$ -	\$ (36,000)	\$ 1,654,801
Construction in progress	371,757	134,561	(371,757)	134,561
Total capital assets not being depreciated	2,062,558	134,561	(407,757)	1,789,362
Capital assets being depreciated				
Buildings	8,309,784	-	(164,000)	8,145,784
Improvements other than buildings	3,955,234	300,852	(308,481)	3,947,605
Infrastructure	12,601,286	120,345	576,788	13,298,419
Machinery and equipment	4,919,898	247,324	(17,472)	5,149,750
Equipment under capital lease	377,002	342,830		719,832
Total capital assets being depreciated	30,163,204	1,011,351	86,835	31,261,390
Less accumulated depreciation				
Buildings	(1,289,254)	(166,369)	27,914	(1,427,709)
Improvements other than buildings	(973,713)	(176,046)	(151,998)	(1,301,757)
Infrastructure	(5,999,398)	(396,419)	154,337	(6,241,480)
Machinery and equipment	(2,358,889)	(453,533)	17,685	(2,794,737)
Equipment under capital lease	(238,768)	(51,662)		(290,430)
Total accumulated depreciation	(10,860,022)	(1,244,029)	47,938	(12,056,113)
Total capital assets being depreciated, net	19,303,182	(232,678)	134,773	19,205,277
<b>Governmental activities, net</b>	<b>\$21,365,740</b>	<b>\$ (98,117)</b>	<b>\$ (272,984)</b>	<b>\$ 20,994,639</b>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	2,168,710	-		2,168,710
Construction in progress	847,676	1,055,795	(837,891)	1,065,580
Total capital assets not being depreciated	3,016,386	1,055,795	(837,891)	3,234,290
Capital assets being depreciated				
Buildings	8,954,298	-		8,954,298
Improvements other than buildings	833,656	-		833,656
Infrastructure	22,066,408	481,543	837,891	23,385,842
Machinery and equipment	2,797,156	331,100	(20,348)	3,107,908
Total capital assets being depreciated	34,651,518	812,643	817,543	36,281,704

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 5 – CHANGES IN CAPITAL ASSETS (CONTINUED)**

*Primary Government (Continued)*

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Business-Type Activities (Continued)</b>				
Less accumulated depreciation				
Buildings	(2,629,656)	(185,009)		(2,814,665)
Improvements other than buildings	(147,041)	(37,563)		(184,604)
Infrastructure	(4,384,227)	(447,212)		(4,831,439)
Machinery and equipment	(1,003,794)	(208,147)	20,348	(1,191,593)
Total accumulated depreciation	(8,164,718)	(877,931)	20,348	(9,022,301)
Total capital assets being depreciated, net	26,486,800	(65,288)	837,891	27,259,403
<b>Business-type activities, net</b>	<u>\$29,503,186</u>	<u>\$ 990,508</u>	<u>\$ -</u>	<u>\$30,493,694</u>

Amortization of equipment under capital lease is included with depreciation expense in the financial statements. Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 101,118
Public Safety	385,748
Physical environment	54,144
Transportation	474,807
Culture and recreation	228,212
Total depreciation expense - governmental activities	<u>\$ 1,244,029</u>
<b>Business-Type Activities</b>	
Utilities fund	\$ 877,931
Sanitation fund	-
Total depreciation expense - business-type activities	<u>\$ 877,931</u>

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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**NOTE 5 – CHANGES IN CAPITAL ASSETS (CONTINUED)**

***Construction Commitments and Funding***

The City is planning a continuous expansion of their wastewater treatment plant increasing capacity from 3,000,000 to 4,000,000 gallons per day. An engineering contract for \$2,000,000 was signed in 2008 to complete the required engineering work; approximately \$1,000,000 of work remains to be completed at September 30, 2010.

In 2008, the City borrowed approximately \$7,100,000 through the State of Florida Revolving Loan Fund loan program as initial funding for construction of a rapid infiltration basin system (RIBS) on land contiguous to the existing wastewater treatment plant. In June 2009, the City received approval for an additional \$1,271,000 from the State Revolving Loan Fund. These funds were to fund completion of the planning, engineering, and administrative activities necessary to complete expansion of the wastewater treatment plant. Of this amount, \$890,026 was received in October, 2010, and has been recorded as Due from Other Governments at September 30, 2010. The balance of the approved loan will be available upon State Revolving Loan Fund acceptance of executed procurement contracts.

In May, 2010, the City obtained approval for additional construction funding of \$10,000,000 through the State of Florida Department of Environmental Protection Clean Water State Revolving Fund; this amount was increased to \$15,000,000 in April, 2011. Final completion of the project is tentatively scheduled for March, 2013.

Current annual debt service payments on existing debt are approximately \$565,000. Estimated annual debt service payments on the new debt are approximately \$1,020,000, subject to revision based on total actual project costs and final completion date. The most current estimate of total construction expenditures is \$17,000,000.

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS**

The City of Crestview, Florida administers two single-employee defined benefit pension plans - the Crestview General Employees' Retirement Plan Trust Fund and the Crestview Police Officers' and Firefighters' Plan Trust Fund. These plans provide benefits for all qualifying employees of the City. Each plan is administered by a five-person retirement committee consisting of two members appointed by the City Council, two elected members of the Plan, and a fifth member elected by the other four and appointed by the City Council. The Plans issue a publicly available financial report that includes certain additional disclosures required by GASB Statement No. 25. These reports may be obtained by writing to the Secretary, Retirement Plans, P.O. Box 1209, Crestview, Florida, 32536. Following are excerpts from the reports regarding certain required employer disclosures for the Plans.

*A. Plan Descriptions*

**General Employees' Retirement Plan (GERP) - Plan Description**

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

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

During the fiscal year ended September 30, 2000, the City of Crestview adopted Ordinance No. 1020 and 1029, amending and restating the City of Crestview General Employees' Retirement Plan adopted by Ordinance No. 781. This ordinance includes a provision for a deferred retirement option plan (DROP). A member becomes eligible when normal retirement requirements are satisfied. The member may not participate in the DROP for more than 60 months. The average daily balance in a member's DROP account shall be credited or debited at a rate equal to the actual net rate of investment return, net of brokerage commissions, transaction costs and management fees. Upon entering the DROP, the members shall not accrue any additional credited service or additional benefits and shall not be permitted to again contribute to the System. All benefits payable to a member from the DROP shall be paid from the assets of the member's DROP account and neither the City nor the Board shall have a duty

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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**NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

*A. Plan Descriptions (Continued)*

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

or liability to furnish the DROP with any funds, securities or other assets except to the extent required by any applicable law.

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

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

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

During the fiscal year ended September 30, 2000, the City of Crestview adopted Ordinance No. 1027, amending and restating the City of Crestview Police Officers' and Firefighters' Retirement Plan adopted by Ordinance No. 780. This ordinance includes a provision for a deferred retirement option plan (DROP). A member becomes eligible when normal retirement requirements are satisfied. The member may not participate in the DROP for more than 60 months. An eligible member which elects to enter the DROP can select either 1) actual net rate of investment return, net of brokerage commissions, transaction costs and management fees or 2) interest at an effective rate of 6.5% per annum compounded monthly on the prior month's ending balance. Upon entering the DROP, the member shall not accrue any additional credited service or additional benefits and shall not be permitted to again contribute to the System. All benefits payable to a member from the DROP shall be paid only from the assets of the member's DROP account and neither the City nor the Board shall have a duty or liability to furnish the DROP with any funds, securities or other assets except to the extent required by any applicable law.

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. Plan Descriptions (Continued)**

Membership of each plan consisted of the following at October 1, 2010, the date of the latest actuarial valuation:

	<u>GERP</u>	<u>POFRP</u>
Retirees and beneficiaries currently receiving benefits	26	10
Terminated plan members entitled to but not yet receiving benefits	22	6
DROP plan members	4	2
Active plan member	110	96
Total	<u>162</u>	<u>114</u>

**B. Contributions, Funding Policy and Annual Pension Costs**

The contribution requirements of plan members and the City are established annually and amended by City ordinance. Plan members are required to contribute at a set percentage of their annual covered salaries. The City is required to contribute at an actuarially determined rate. The City's annual pension cost for the year ended September 30, 2010 was as follows:

	<u>GERP</u>	<u>POFRP</u>
Contribution rates (percentage of covered payroll)		
City	17.70%	13.90%
Plan members	6.40%	6.40%
Annual pension cost	\$729,493	\$561,477
Contributions made:		
Employer	\$729,493	\$561,477
Other sources		\$174,364
Members	\$263,771	\$258,393
Net pensin obligation (asset)	0	-\$20,161
Actuarial cost method	Frozen Entry Age	Frozen Entry Age
Amortization method	Level percentage of pay. closed	Level percentage of pay. closed
Remaining amortization period	19 years	21 years.
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial assumptions		
Invested rate of return	8.00%	8.00%
Projected salary increases*	6.00%	6.00%
*Includes inflation at	3.00%	3.00%

City of Crestview, Florida  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

***B. Contributions, Funding Policy and Annual Pension Costs (Continued)***

Three-Year Trend Information				
	Year Ending	Actual Pension Cost (APC)	Percentage Contribution	Net Pension Obligation (Asset)
GERP	September 30, 2010	\$729,493	100.00%	\$ - - - 0 - - -
	September 30, 2009	\$478,859	100.00%	\$ - - - 0 - - -
	September 30, 2008	\$452,902	100.00%	\$ - - - 0 - - -
POFRP	September 30, 2010	\$561,477	100.00%	-\$20,161
	September 30, 2009	\$283,379	100.00%	-\$21,334
	September 30, 2008	\$223,358	100.00%	-\$12,410

***C. Post Employment Benefits Other Than Pension***

Plan Description – The City of Crestview administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance benefits to its employees and their eligible dependents. In accordance with Section 112.0801 of the Florida Statutes, because the City provides a medical plan to active employees of the City and their eligible dependents, the City is also required to provide retirees with the opportunity to participate in this Plan. Benefit provisions for the Plan are established by the City Council and may be amended by the City Council. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City. The retirees also pay for certain dental and life insurance benefits. The dental and term life insurance benefit provisions are also established, and may be amended, by action of the City Council. The City does not issue stand-alone financial statements for these programs.

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

*C. Post Employment Benefits Other Than Pension - Continued*

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

**SUMMARY OF PLAN PROVISIONS**

<u>Credited Service</u>	Total completed years of employment with the City.
<u>Eligibility for Insurance Coverage</u>	
Police/Fire Pension Participants	Age 55 and 10 years of service or 25 years of service, regardless of age, is normal retirement. Employees may retire early at 45 and 10 years of service.
General Pension Participants	Age 60 and 10 years of service is normal retirement. Employees may retire early at age 50 and 10 years of service.
<u>Health and Dental Contributions</u>	
Retiree	100% of the Active Premium Rate.
City	Remaining amount necessary for payment of claims.
<u>Life Contributions</u>	
Retiree	100% of the Premium Rate
<u>Life Insurance Benefits</u>	
Retiree	\$10,000 to age 70, then \$5,000

**Employee Contribution Information**

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

City of Crestview, Florida  
**NOTES TO FINANCIAL STATEMENTS**  
 September 30, 2010

**NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Post Employment Benefits Other Than Pension - Continued

**Funding Policy**

Contribution rates for the Plan are established on an annual basis by the City Council. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for health insurance, dental insurance, and term life insurance benefits. While the City does not directly contribute towards the cost of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees, constitutes a significant economic benefit to retirees, or an "implicit" subsidy. This implicit subsidy is considered to be another post employment benefit (OPEB) obligation of the City. The City is not currently funding the OPEB obligation. For the year ended September 30, 2009, the contributions made to the program (\$16,937) were assumed to be the benefits paid for retirees and administrative expenses. The 2010 amount was estimated at \$17,445 as no actuarial valuation was performed for the 2010 fiscal year.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year to amortize an unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the City's Plan, including both the implicit rate subsidy for health insurance, dental insurance and the term life insurance benefits:

Valuation Date	10/1/2008	10/1/2009
Applicable for Fiscal Year Ending	9/30/2009	9/30/2010*
Annual Required Contribution	\$ 104,846	\$ 121,833
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contributions	-	(1,706)
	<u>\$ 104,846</u>	<u>\$ 120,127</u>
Estimated Net Contributions	<u>(16,937)</u>	<u>(17,445)</u>
Anticipated Increase (Decrease) in Net OPEB Obligation	87,909	102,682
Net OPEB Obligation - Beginning of Year	-	87,909
Estimated Net OPEB Obligation - End of Year	<u>\$ 87,909</u>	<u>\$ 190,591</u>

\*Estimated

The percentage of OPEB cost contributed was 16.2% for 2009, and 14.5% for 2010.

City of Crestview, Florida  
**NOTES TO FINANCIAL STATEMENTS**  
 September 30, 2010

**NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

***C. Post Employment Benefits Other Than Pension - Continued***

A schedule of funding progress is presented below. Data is only presented for the fiscal year ending September 30, 2009, the first year in which GASB Statement 45 is required and an actuarial valuation was performed.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) EAN (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/1/2008	0	\$574,545	\$574,545	0.00%	\$7,401,340	7.80%

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the September 30, 2009 actuarial valuation the entry age normal (level % of pay) actuarial cost method is used. The annual required contribution (ARC) reflects a 30 year, level amortization of the unfunded actuarial accrued liability (AAL). The actuarial assumptions included 5% investment rate of return, 3% projected salary increases, and a 3% inflation rate. Annual medical costs are assumed to increase 8% per year, decreasing 1% each year to a 5% rate in 2012.

**NOTE 7 - RISK MANAGEMENT**

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

The City does not retain a risk of loss as a participant in the public entity risk pool. The City maintains minimal deductibles for insurance policies from its various commercial carriers.

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 7 - RISK MANAGEMENT – (CONTINUED)**

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

**NOTE 8 - OPERATING LEASES**

The City is committed under various operating leases for certain telephone and office equipment. Lease expenditures for these leases for the fiscal year ended September 30, 2010 totaled \$101,835.

Future minimum lease payments for the next four years are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2011	\$ 93,393
2012	54,752
2013	8,862
2014	<u>1,103</u>
Total minimum lease payments	<u>\$ 158,110</u>

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 9 - CAPITAL LEASES**

The City has entered into lease agreements as lessee for financing the acquisition of 13 Police cars. The lease agreement qualifies as a capital lease for accounting purposes as a result of the transfer of title at the end of the lease term, and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Police Vehicles	\$ 342,830
Less accumulated depreciation	(26,599)
	\$ 316,231

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2010, is as follows:

Year Ending September 30	Governmental Activities
2011	\$ 120,667
2012	120,667
	241,334
Less amount representing interest	(19,170)
Present value of minimum lease payments	\$ 222,164

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 10 - LONG-TERM DEBT**

*Changes in Long-Term Debt Liabilities*

The following is a summary of changes in long-term debt liabilities of the City for the year ended September 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Revenue Bonds					
Gas tax refunding revenue bond. Series 2004	\$ 1,012,013		\$ (153,698)	\$ 858,315	\$ 159,396
Public improvement revenue bond. Series 2001A	249,637		(35,257)	214,380	34,659
Public improvement revenue bond. Series 2001	2,282,000		(30,000)	2,252,000	31,000
Public improvement revenue bond. Series 2008	1,556,723		(85,183)	1,471,540	88,581
Public safety facilities fee revenue bond. Series 2007	810,000		(90,000)	720,000	90,000
Public safety revenue bond. Series 2009	450,000	-	(37,000)	413,000	39,000
Capital leases	45,504	342,830	(166,170)	222,164	108,004
Compensated absences	282,191	33,805		315,996	-
<b>Total governmental activities</b>	<b>\$ 6,688,068</b>	<b>\$ 376,635</b>	<b>\$ (597,308)</b>	<b>\$ 6,467,395</b>	<b>\$ 550,640</b>
<b>Business-Type Activities</b>					
Florida DEP state revolving loan. 2008	\$ 6,833,068	\$ -	\$ (333,872)	\$ 6,499,196	\$ 157,142
Florida DEP state revolving loan. 2010		890,026		890,026	
Water & sewer revenue refunding bonds. Series 2004	1,255,000		(235,000)	1,020,000	245,000
Less unamortized loss	(12,641)		2,107	(10,534)	-
Public improvements bonds. Series 2001A	677,373		(95,324)	582,049	93,708
Water & sewer refunding revenue and improvements bonds, Series 2008	10,950,000		(135,000)	10,815,000	140,000
Compensated absences	35,308	1,586		36,894	26,972
<b>Total business-type activities</b>	<b>\$ 19,738,108</b>	<b>\$ 891,612</b>	<b>\$ (797,089)</b>	<b>\$ 19,832,631</b>	<b>\$ 662,822</b>

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

*Description of Long-Term Debt Outstanding*

	Current	Long-Term	Total
<b>GOVERNMENTAL ACTIVITIES</b>			
<i>Revenue Bonds</i>			
<p>\$900,000 Public Safety Facilities Fee Revenue Bond, Series 2007, incurred to finance construction of a public safety building. Interest on bond accrues at 4.44%, with annual interest payments beginning March 1, 2008, and annual principal payments of \$90,000 beginning March 1, 2009, through March 1, 2018. Bonds are secured and payable from public safety facilities fees.</p>	\$ 90,000	\$ 630,000	\$ 720,000
<p>\$1,639,000 Public Improvement Revenue Bond, Series 2008, incurred to finance the acquisition of a municipal office building in the area of the City. Interest on the bond accrues at 3.99% with annual interest payments beginning March 1, 2009, through March 1, 2023. Bonds are secured and payable from the local government half-cent sales tax.</p>	88,581	1,382,959	1,471,540
<p>\$1,722,511 Gas Tax Refunding Revenue Bonds, Series 2004, incurred to finance the cost of refunding the Gas Tax Refunding Revenue Bond, Series 2000, 3.69% serial bonds due in annual installments of \$132,982 to \$184,257 beginning March 1, 2005, through March 1, 2015. Bonds are secured by the six cent optional gas tax.</p>	159,396	698,919	858,315
<p>\$1,500,000 Capital Improvement Revenue Bonds, Series 2001, incurred to finance the construction of water well, water tanks, public safety building and park improvements. Bonds are divided into two denominations: \$1,000,000 and \$500,000. \$1,000,000 bond is a variable interest rate during construction period, 5.15% thereafter; interest payable on March 1 and September 1, with principal payment due March 1. \$500,000 bond is a variable interest rate during construction period and variable thereafter. Principal and interest payments of \$4,662 are due each month after the construction period through March 1, 2016. Bonds are secured by public service taxes, communications service taxes and other taxes.</p>	<p style="margin: 0;">34,659</p> <hr style="width: 100%;"/> 372,636	<p style="margin: 0;">179,721</p> <hr style="width: 100%;"/> 2,891,599	<p style="margin: 0;">214,380</p> <hr style="width: 100%;"/> 3,264,235

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

*Description of Long-Term Debt Outstanding (Continued)*

	Current	Long-Term	Total
<b>GOVERNMENTAL ACTIVITIES (CONTINUED)</b>			
<i>Revenue Bonds (Continued)</i>			
\$2,452,000 Capital Improvement Revenue Bonds, Series 2001, incurred to finance the acquisition and construction of library improvements, 4.75% serial bonds due in annual installments of \$21,000 to \$139,000 plus interest beginning September 1, 2003 through 2041. Bonds are secured by franchise fees and public service taxes.	\$ 31,000	\$ 2,221,000	\$ 2,252,000
\$450,000 Public Safety Revenue Bonds, Series 2009, incurred to finance the acquisition of two fire trucks, 4.00% single fully registered bond due in installments of \$37,000 to \$42,000 plus interest beginning March 1, 2010 through 2014; and between 3.00% floor to ceiling of 6.25% single fully registered bond due in installments of \$50,000 plus interest beginning March 1, 2015 through 2019. Bond is secured by non ad valorem revenues.	39,000	374,000	413,000
<i>Total revenue bonds</i>	442,636	5,486,599	5,929,235
<i>Leases</i>			
\$362,001 capital lease payable, 2010, due in annual installments of \$120,667 through March 2012, collateralized by police vehicles.	108,004	114,160	222,164
<i>Total leases</i>	108,004	114,160	222,164
<i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types.	-	315,996	315,996
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 550,640</b>	<b>\$ 5,916,755</b>	<b>\$ 6,467,396</b>

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

*Description of Long-Term Debt Outstanding (Continued)*

**BUSINESS-TYPE ACTIVITIES**

**Revenue Bonds**

\$11,080,000 Water & Sewer Refunding and Improvement Revenue Bonds, Series 2008, incurred to retire the Water & Sewer Revenue Bonds, Series 1997, to retire the Water & Sewer Revenue Bonds, Series 1992, and to finance the cost of additions and improvements to the water and sewer system of the City. Interest rates range from 3.00% to 5.25%; interest is payable March 1 and September 1; principal is payable September 1; payments begin March 1, 2009 and continue through September 1, 2038, ranging in annual amounts from \$538,256 to \$1,165,181. Bonds are secured by the net revenues of the water and sewer system.

	Current	Long-Term	Total
	\$ 140,000	\$ 10,675,000	\$ 10,815,000

\$1,705,000 Water & Sewer refunding revenue bonds, Series 2004, incurred to partially retired Series 1996 bonds; interest rate ranges from 2.75% to 3.50% with semi-annual interest payments due March 1, and September 1; annual principal payments begin September 1, 2008, and continue through 2014, ranging from \$220,000 to \$265,000. Bonds are secured by net revenues of the water and sewer system.

	245,000	775,000	1,020,000
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Less unamortized deferred loss on refunding

	-	(10,534)	(10,534)
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\$1,500,000 Capital Improvement Revenue Bonds, Series 2001 incurred to finance the construction of water well, water tanks, public safety building, and park improvements. Bonds are divided into two denominations: \$1,000,000 and \$500,000. \$1,000,000 bond is a variable interest rate during construction period, 5.15% thereafter; interest payable on March 1, and September 1, with principal payments due March 1. \$500,000 bond is a variable interest rate during construction period and variable thereafter. Principal and interest payments of \$4,662 are due each month after the construction period through March 1, 2016. Bonds are secured by public service taxes, communications service taxes and other fees

	93,708	488,341	582,049
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**Total revenue bonds**

	478,708	11,927,807	12,406,515
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**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

*Description of Long-Term Debt Outstanding (Continued)*

	Current	Long-Term	Total
<b>BUSINESS-TYPE ACTIVITIES (CONTINUED)</b>			
<i>State Revolving Loan</i>			
\$7,667,000 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$250,253, including interest at 2.53% beginning December 15, 2008, through December 15, 2028.	157,142	6,342,054	6,499,196
\$1,327,566 State of Florida Department of Environmental Protection Revolving Loan Fund; semi-annual payments of \$44,651 including interest at 2.86% beginning January 15, 2013, through December 15, 2033.	-	890,026	890,026
<i>Total state revolving loan</i>	157,142	7,232,080	7,389,222
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Enterprise Funds.	26,972	9,922	36,894
	26,972	9,922	36,894
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 662,822</b>	<b>\$ 19,169,809</b>	<b>\$ 19,832,631</b>
<b>GRAND TOTAL LONG-TERM DEBT</b>			<b>\$ 26,300,026</b>

*Annual Requirements to Amortize Debt Outstanding*

The annual requirements to amortize all debt outstanding except accrued and annual leave and advances from other funds as of September 30, 2010, are as follows:

**Governmental Activities**

Year Ending September 30	Revenue Bonds		Leases	
	Principal	Interest	Principal	Interest
2011	442.636	241.367	108.004	12.663
2012	455.670	224.720	114.160	6.507
2013	471.794	207.433		
2014	484.624	189.631		
2015	508.576	187.123		
2016-2020	1,298.058	525.324		
2021-2025	693.877	483.492		
2026-2030	365.000	357.390		
2031-2035	468.000	265.953		
Thereafter	741.000	168.340		
Total	\$ 5,929,235	\$ 2,850.773	\$ 222.164	\$ 19,170

City of Crestview, Florida  
**NOTES TO FINANCIAL STATEMENTS**  
 September 30, 2010

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**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

*Annual Requirements to Amortize Debt Outstanding (Continued)*

Business-Type Activities

Year Ending September 30	Revenue Bonds		State Revolving Loans	
	Principal	Interest	Principal	Interest
2011	\$ 478,708	\$ 593,025	\$ 157,142	\$ 162,410
2012	490,377	575,704	302,136	158,208
2013	514,434	558,320	374,133	175,514
2014	508,644	539,101	383,882	165,774
2015	275,532	2,504,387	393,868	155,779
2016-2020	953,820	2,299,869	2,128,631	619,603
2021-2025	1,100,000	2,042,031	2,313,839	328,683
Thereafter	8,085,000	1,663,488	1,335,591	64,484
Total	<u>\$ 12,406,515</u>	<u>\$ 10,775,925</u>	<u>\$ 7,389,222</u>	<u>\$ 1,830,455</u>

Bond Restrictions

A number of limitations and restrictions are contained in the various bond resolutions. The City is not aware of any noncompliance with the significant requirements.

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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**NOTE II - COMMITMENTS AND CONTINGENCIES**

**Contracts**

In January 1994, the City signed an agreement with Operations Management International, Inc. (OMI) to operate, maintain, and manage the new sewer treatment plant. Fees are payable monthly and are subject to adjustment on a regular basis. The contract also provides for electrical cost or consumption increases to be absorbed by the City. Fees for the year ended September 30, 2010, were approximately \$824,162.

A new contract was signed for the initial term beginning February 1, 2009 through September 30, 2009. The agreement automatically renewed for a 5 year term effective October 1, 2009.

The base fee was \$67,833 per month in fiscal year 2010. The base fee is adjusted annually to reflect certain Bureau of Labor Statistics index changes; however, the base fee adjustment will not exceed 5% or be less than 2%. Other cost components (repairs, chemicals, electricity and residuals disposal) are also to be adjusted annually. The base fee is \$70,190 per month beginning October, 2010.

**Sanitation Collection**

In December 2007, the City contracted with Waste Pro of Florida, Inc., for the collection and disposal of residential and commercial solid waste, yard refuse, and recycling. The non-exclusive franchise agreement began January 1, 2008, and extends through September 30, 2013. The City is responsible for billings and collections related to the sanitation services, and retains 5% of the collections as payment for managing the collections; the remainder of the collections are remitted to Waste Pro of Florida, Inc. Collections remitted to Waste Pro of Florida amounted to \$2,876,688 for the year ended September 30, 2010.

**Legal Matters**

The City Attorney has indicated that there are no items of pending or recently resolved litigation which would materially affect the City's financial statements as of September 30, 2010.

**City of Crestview, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

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**NOTE 11 - COMMITMENTS AND CONTINGENCIES – (CONTINUED)**

**Grants**

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

In September 2004, Hurricane Ivan impacted Northwest Florida, including the City of Crestview with considerable damage. Many of the expenses incurred for debris removal and other repairs were reimbursed to the City through grant funding from the Federal Emergency Management Agency (FEMA). In 2005, FEMA reimbursed the City for most of the expenses incurred, but then later determined that certain expenses did not qualify for reimbursement according to the grant. FEMA has notified the City that the City will be responsible for those expenses determined not to be reimbursable. The City will not know the exact amount of funds that are to be repaid to FEMA until FEMA has performed a final close-out audit. The City has estimated the liability to FEMA for non-reimbursable expenses to be \$401,865. This amount is included in due to other governments in the accompanying financial statements.

In April, 2008, the City was awarded a SAFER (Staffing for Adequate Fire and Emergency Response) by the Federal Emergency Management Agency in the amount of \$1,171,278. The City is obligated to fund certain amounts for the July to June periods as follows:

<u>Period Through June</u>		
<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>\$ 245,232</u>	<u>\$ 363,008</u>	<u>\$ 540,737</u>

Future years budgets will recognize the City's responsibilities under the grant.

**Retirement Plans**

The City had to supplement its regular contributions to the Police Officers' and Firefighters' Retirement Plan and the General Employees' Retirement Plan by \$153,000 and \$180,000 respectively in the fiscal year ended September 30, 2010, due primarily to payroll increases and variances in actual versus expected investment returns.

City of Crestview, Florida  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

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**NOTE 12 – GASB PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED**

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, will be effective for the City beginning with its year ending September 30, 2011. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is to observe constraints imposed upon the use of the resources reporting in the governmental funds. Management has not determined what impact, if any, this GASB statement may have on its financial statements.

### **III. REQUIRED SUPPLEMENTARY INFORMATION**

**City of Crestview, Florida**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Unaudited**

**Retirement Plans**

**SCHEDULE OF FUNDING PROGRESS**

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Payroll
<b>General Employees' Retirement Plan</b>						
October 1, 2010	\$ 10,702,659	\$ 11,511,092	\$ 808,433	92.98%	\$ 3,683,859	21.95%
October 1, 2009	10,146,403	10,885,468	739,066	93.21%	4,099,778	18.03%
October 1, 2008	9,878,765	10,460,657	581,892	94.44%	3,638,311	15.99%
October 1, 2007	9,534,209	9,888,055	353,846	96.42%	3,284,376	10.77%
October 1, 2006	8,523,229	8,798,387	275,158	96.87%	2,864,238	9.61%
October 1, 2005	7,525,909	7,828,265	302,356	96.14%	2,377,019	12.72%
<b>Police Officers' and Firefighters' Retirement Plan</b>						
October 1, 2010	\$ 9,568,251	\$ 10,572,416	\$ 1,004,165	90.50%	\$ 3,929,132	25.56%
October 1, 2009	8,758,538	9,598,073	839,535	91.25%	3,920,487	21.41%
October 1, 2008	8,175,156	8,849,039	673,883	92.38%	3,520,108	19.14%
October 1, 2007	7,409,015	7,768,605	359,590	95.37%	2,879,395	12.49%
October 1, 2006	6,641,793	6,944,698	302,905	95.64%	2,319,699	13.06%
October 1, 2005	6,037,999	6,306,888	268,889	95.74%	1,893,960	14.20%

*Note: The information presented in this schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation can be found in Note 6 to the financial statements.*

City of Crestview, Florida  
**REQUIRED SUPPLEMENTAL INFORMATION**  
 Unaudited

**Retirement Plans (Continued)**

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER  
 CONTRIBUTING ENTITIES**

**General Employees' Retirement Plan**

	Annual Required Contribution	Employer Contribution	Other Contributing Entity Contribution	Percentage Contributed
October 1, 2010	\$ 729.493	\$ 729.493	\$ -	100.00%
October 1, 2009	\$ 470.761	\$ 478.559	\$ -	101.66%
October 1, 2008	\$ 452.902	\$ 452.902	\$ -	100.00%
October 1, 2007	\$ 358.312	\$ 358.312	\$ -	100.00%
October 1, 2006	\$ 369.782	\$ 369.782	\$ -	100.00%
October 1, 2005	\$ 202.598	\$ 202.598	\$ -	100.00%

**Police Officers' and Firefighters'; Retirement Plan**

	Annual Required Contribution	Employer Contribution	State Contribution	Percentage Contributed
October 1, 2010	\$ 738.841	\$ 561.477	\$ 177.364	100.00%
October 1, 2009	\$ 467.559	\$ 292.644	\$ 184.180	101.98%
October 1, 2008	\$ 407.568	\$ 223.388	\$ 184.180	100.00%
October 1, 2007	\$ 339.674	\$ 157.141	\$ 184.180	100.48%
October 1, 2006	\$ 286.719	\$ 113.966	\$ 184.180	103.99%
October 1, 2005	\$ 286.512	\$ 102.333	\$ 184.180	100.00%

# COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

#### Law Enforcement Trust

To account for funds received from court fines to be used for additional police training.

#### Community Redevelopment Agency

To account for funds received from intergovernmental sources, as well as funds transferred into this fund by the City. Expenditures in this fund are to be used for the purpose of improving the City's downtown area.

### PERMANENT FUNDS

The Permanent Fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the City's programs (library books). \$50,000 of the current balance represents the non-expendable principal.

**CITY OF CRESTVIEW, FLORIDA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2010**

	Special Revenue Funds					Total
	Law Enforcement Trust Fund	Community Redevelopment Agency	Debt Service Fund	Permanent Fund	Capital Projects Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 45,109	\$ 861,247	\$ 120,281	\$ 13,115	\$ 512,640	\$ 1,552,392
Due from other funds	-	4,375	-	-	-	4,375
Interest Receivable	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-
Cash and cash equivalents	-	-	246,667	-	-	246,667
Certificates of deposit	-	-	-	50,000	-	50,000
<b>TOTAL ASSETS</b>	<b>\$ 45,109</b>	<b>\$ 865,622</b>	<b>\$ 366,948</b>	<b>\$ 63,115</b>	<b>\$ 512,640</b>	<b>\$ 1,853,434</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 1,295	-	-	-	-	\$ 15,550
Due to Other Funds	-	30,000	-	-	-	4,375
Deferred Revenue	-	-	-	-	-	22,792
Other Current Liabilities	-	-	-	-	-	179,000
Total Liabilities	1,295	30,000	-	-	-	251,717
<b>FUND BALANCES</b>						
Reserved for law enforcement	\$ 43,814	-	-	-	-	\$ 43,814
Reserved for community development	-	835,622	-	-	-	835,622
Reserved for debt service	-	-	366,948	-	-	366,948
Reserved for library books, expendable	-	-	-	13,115	-	13,115
Reserved for library books, nonexpendable	-	-	-	50,000	-	50,000
Reserved for capital projects	-	-	-	-	292,218	292,218
Total Fund Balance	43,814	835,622	366,948	63,115	292,218	1,601,717
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 45,109</b>	<b>\$ 865,622</b>	<b>\$ 366,948</b>	<b>\$ 63,115</b>	<b>\$ 512,640</b>	<b>\$ 1,853,434</b>

See Independent Auditor's report on  
Other Financial Information

**CITY OF CRESTVIEW, FLORIDA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Year Ended September 30, 2010**

	Special Revenue funds					Total
	Law Enforcement Trust Fund	Community Redevelopment Agency	Debt Service Fund	Permanent Fund	Capital Projects Fund	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ 191,056	\$ -	\$ -	\$ 191,056
Permits, Fees and Special Assess.	-	-	322,199	-	-	322,199
Intergovernmental	-	82,896	202,310	-	152,343	437,549
Fines and Forfeits	47,932	-	-	-	-	47,932
Interest	-	3,262	507	1,455	1,157	6,381
Miscellaneous	-	100	-	-	75,000	75,100
<b>TOTAL REVENUES</b>	\$ 47,932	\$ 86,258	\$ 716,072	\$ 1,455	\$ 228,500	\$ 1,080,217
<b>EXPENDITURES</b>						
General government	-	41,727	-	-	-	41,727
Public safety	37,283	-	-	-	-	37,283
Capital outlay	-	10,814	-	-	461,315	472,129
Debt service	-	-	431,137	-	-	431,137
Principal	-	-	268,789	-	-	268,789
Interest	-	-	-	-	-	-
Other debt service costs	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	37,283	52,541	699,926	-	461,315	1,251,065
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	10,649	33,717	16,146	1,455	(232,815)	(170,848)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer In	-	147,301	-	-	247,421	394,722
Transfer (out)	-	(30,000)	-	-	-	(30,000)
Debt proceeds	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	117,301	-	-	247,421	364,722
<b>NET CHANGE IN FUND BALANCE</b>	10,649	151,018	16,146	1,455	14,606	193,874
<b>FUND BALANCE-BEGINNING OF YEAR</b>	33,165	684,604	350,802	61,660	277,612	1,407,843
<b>FUND BALANCE-END OF YEAR</b>	\$ 43,814	\$ 835,622	\$ 366,948	\$ 63,115	\$ 292,218	\$ 1,601,717

## **IV COMPLIANCE SECTION**

- **COMPLIANCE REPORTS**
- **MANAGEMENT LETTER**

City of Crestview, Florida  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended September 30, 2010

<u>Federal Agency</u> <u>Pass-Through Entity</u> <u>Federal Program</u>	<u>CFDA</u> <u>Number</u>	<u>Contract/Grant</u> <u>Number</u>	<u>Expenditures</u>
U.S. Environmental Protection Agency			
Indirect Program			
Pass-Through from			
Florida Department of Environmental Protection			
Capitalization Grants for State Revolving Funds	66.458	WW432120	<u>\$ 890,026</u>
<i>Total U.S. Environmental Protection Agency</i>			890,026
U.S. Department of Housing & Urban Development			
Indirect Program			
Pass-Through from			
Florida Department of Community Affairs			
Small cities Community Development Block Grant			
	14.228	09-DB-4N-01-56-02-C26	<u>15,313</u>
<i>Total U.S. Department of Housing and Urban Development</i>			15,313
U.S. Department of Justice			
Indirect Program			
Pass-Through from			
Florida Department of Law Enforcement			
Project Safe Neighborhoods	16.609	2010-PSNN-OKAL-1-A2-002	6,000
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-5B-59-2771	<u>38,752</u>
<i>Total U.S. Department of Justice</i>			44,752
Department of Homeland Security			
Indirect Program			
Pass-Through from			
Grants Management, Operations Department			
Public Safety Grant for SAFER (Staffing for Adequate Program Fire and Emergency Response)			
	97.044	EMW-2007-FF-01459	<u>294,021</u>
<i>Total Department of Homeland Security</i>			294,021

The accompanying notes are an integral part of this schedule

City of Crestview, Florida  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
 Year Ended September 30, 2010

<u>Federal Agency</u> <u>Pass-Through Entity</u> <u>Federal Program</u>	<u>CFDA</u> <u>Number</u>	<u>Contract/Grant</u> <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>			
Indirect Program			
Pass through from Florida			
Department of Transportation			
Highway Safety Project (NHTSA)	20.600	OP-10-0215-APU-41	7,302
Alcohol Impaired Driving			
Countermeasures Incentive			
Grant	20.601	2010-JAGC-OKAL-5-4X-029	42,143
<i>Total U.S. Department of</i>			<u>49,445</u>
<i>Transportation</i>			
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 1,293,557</u></u>

The accompanying notes are an integral part of this schedule

City of Crestview, Florida  
NOTES TO SCHEDULE OF FEDERAL AWARDS  
Year Ended September 30, 2010

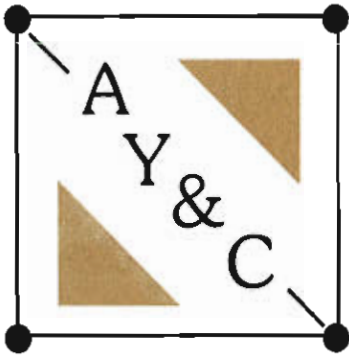
*Note 1. Basis of Presentation*

The accompanying Schedule of expenditures of federal awards includes the federal grant activity of the City of Crestview, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

*Note 2. Loans Outstanding*

The City of Crestview, Florida, had the following loan balances outstanding at September 30, 2010. Loans made during the year are included in the federal expenditures presented in the schedules.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
U.S Environmental Protection Agency, Pass-through from Florida Department of Environmental Protection Capitalization Grants for State Revolving Funds	66.458	\$ 6,499,196
U.S Environmental Protection Agency, Pass-through from Florida Department of Environmental Protection Capitalization Grants for State Revolving Funds	66.458	\$ 890,026



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestview, Florida as of and for the year ended September 30, 2010, which collectively comprise the City of Crestview's basic financial statements and have issued our report thereon dated May 31, 2011. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Crestview, Florida's internal control over financial reporting as a basis for designing our auditing procedures 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 Crestview, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Crestview, Florida's internal control over financial reporting.

*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.

Honorable Mayor and City Council Members  
page #2

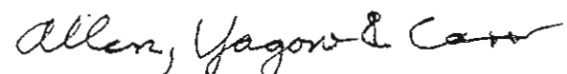
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

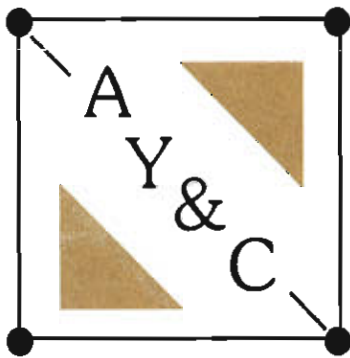
As part of obtaining reasonable assurance about whether the City of Crestview, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*. Any other matters pertaining to immaterial instances of noncompliance have been reported to the City of Crestview, Florida, in a separate letter dated May 31, 2011.

We noted certain matters that were reported to management of the City of Crestview, Florida in a separate letter dated May 30, 2011.

This report is intended solely for the information and use of the management, *Auditor General of the State of Florida* and City Council of the City of Crestview, Florida, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crestview, Florida  
May 31, 2011



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

### Compliance

We have audited the City of Crestview, Florida's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*; that could have a direct and material effect on each of the City of Crestview, Florida's major federal program for the year ended September 30, 2010. The City of Crestview, Florida's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Crestview, Florida's management. Our responsibility is to express an opinion on the City of Crestview, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Crestview, Florida'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. Our audit does not provide a legal determination of the City of Crestview, Florida's compliance with those requirements.

In our opinion the City of Crestview, Florida complied, in all materials respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2010.

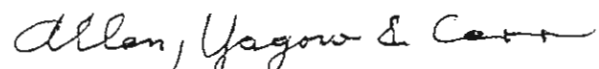
### **Internal Control Over Compliance**

Management of the City of Crestview, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Crestview, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Crestview, Florida'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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, City Council of the City of Crestview, Florida, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crestview, Florida  
May 31, 2011

CITY OF CRESTVIEW, FLORIDA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended September 30, 2010

1. Summary of Auditors Results

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   No

Non-compliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

*Federal Awards and 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 weakness(es)? \_\_\_\_\_ Yes      X   No

Type of auditor's report issues on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*? \_\_\_\_\_ Yes      X   No

*Identification of major federal programs:*

U.S. Environmental Protection Agency

Indirect Program	<u>CFDA#</u>	<u>Expenditures</u>
Pass-through from Florida Department of Environmental Protection - Capitalization Grants for State Revolving Funds	64.458	\$890,026

CITY OF CRESTVIEW, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended September 30, 2010

- The threshold for distinguishing Type A and Type B programs was \$300,000 for federal programs.
- The City of Crestview, Florida was determined not to be a low risk auditee.

2. Findings- Financial Statements Audit

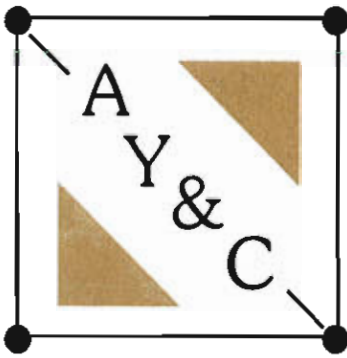
The results of our audit of City of Crestview, Florida disclosed no findings to be reported in accordance with GAGAS.

3. Findings and Questioned Costs for Major Federal Awards and State Projects

The results of our audit of City of Crestview, Florida disclosed no findings required to be reported under the provisions of OMB A-133, Audits of States and Local Governments and Non Profit Organizations and Chapter 10.550, Rules of the Auditor General.

4. Other Issues

- No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to state projects.
- No corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.



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## MANAGEMENT LETTER

Honorable Mayor and City Council Members  
City of Crestview, Florida

We have audited the financial statements of the City of Crestview, Florida, as of and for the year ended September 30, 2010, and have issued our report thereon dated May 31, 2011.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated May 31, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls, this letter is required to include the following information.

The *Rules of the Auditor General* (Section 10.554(1)(i)(1)) require that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective action has been taken to address the finding and recommendation made in the preceding financial audit report; except as noted under the heading **Prior Year Recommendations**.

As required by the *Rules of the Auditor General* (Section 10.554(1)(i)(2)), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Crestview, Florida complied with Section 218.415, Florida Statutes.

Honorable Mayor and City Council Members  
City of Crestview, Florida  
Management Letter (Continued)

The *Rules of the Auditor General* (Section 10.554(1)(i)(3)) require that we address in the management letter any recommendations to improve financial management. In connection with our audit, our recommendations are included under the heading **Current Year Recommendations**.

The *Rules of the Auditor General* (Section 10.554(1)(i)(4)) require that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* (Section 10.554(1)(i)(5)) provide that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

## PRIOR YEAR RECOMMENDATIONS

### PURCHASING POLICIES

#### Prior Year Comment Summarized

The City's purchasing manual requires a minimum of 3 quotes for purchases greater than \$500.00 but less than \$7,500.00 and sealed bids for purchases of commodities or public service contracts greater than \$7,500.00. An exception to the sealed bid requirement was noted for one grant project.

#### Status

Sealed bid requirements were tested with no exceptions noted.

We also tested compliance with several attributes including the requirement for 3 quotes. (i.e. disbursement in excess of \$500). We noted several exceptions with one vendor where purchase orders under \$500 were utilized to complete a "project" in excess of \$500 total cost, but no quotes were obtained. As an additional test, we noted that quotes were obtained for five payments to this vendor for work performed in 2009. Also, this vendor is under contract for 2011 at a fixed hourly rate.

Honorable Mayor and City Council Members  
City of Crestview, Florida  
Management Letter (Continued)

### PRIOR YEAR RECOMMENDATIONS (CONTINUED)

#### Recommendation

Management should clarify in writing that established quote and bid policies should be followed for all "projects". Use of multiple purchase orders is not an acceptable practice.

### CURRENT YEAR RECOMMENDATIONS

#### ALLOWANCE FOR DOUBTFUL ACCOUNTS

#### Observation

We proposed audit adjustments to increase the allowance for bad debts in 2008 and in 2010 for the Utility and Sanitation Funds. These adjustments were based on our review of the accounts receivable aging which classifies customer balances by the date of last payment (i. e. current, 30 days old, 60 days old, and over 90 days old). We noted a continued deterioration in the overdue accounts both in dollars and as a percentage of total accounts receivable.

#### Recommendation

An in depth review of past-due customer balances should be performed. The review should provide a detailed list of procedures to be completed prior to release of customer bills. The review should also included recommendations for documentation of enforcement of the City's cut-off policies, identification of significant delinquencies and collection efforts, etc..

#### Management's Response and Corrective Action Plan

A local CPA firm is being retained to perform a review of the entire utility billing system. Their recommendations should assist in improving the collection procedures for past due accounts, and in structuring a reporting system that allows for timely attention to all available utility billing reports and documentatiou of follow-up procedures by those assigned this responsibility.

The *Rules of the Auditor General* (Section 10.554(1)(i)(6)) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Crestview, Florida, was originally incorporated on April 11, 1916. The town was established as a municipality by Act of the Florida Legislature in 1917. It was reincorporated in 1923 by Chapter 9718, and then as the City of Crestview by Chapter 25754, Special Act 1949.

Honorable Mayor and City Council Members  
City of Crestview, Florida  
Management Letter (Continued)

During 1990, the Department of Community Affairs, as required by the Uniform Special District Accountability Act of 1989, determined that the Crestview Housing Authority to be dependent to the City of Crestview. The Crestview Housing Authority is included in the 2010 State of Florida Annual Local Government Financial Report. The definitions of the USDA Act differ from the reporting entity definition of U.S. generally accepted accounting principles (GAAP). Utilizing the standards set forth in GASB 14, the Crestview Housing Authority was not considered as having met sufficient criteria for inclusion within the City's audited financial statements for the year ended September 30, 2010.

The *Rules of the Auditor General* (Section 10.554(1)(i)(7.a.)), a statement must be included as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The *Rules of the Auditor General* (Section 10.554(1)(i)(7.b.)), requires that we determine that the annual financial report for the City of Crestview, Florida, for the fiscal year ended September 30, 2009, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.

The *Rules of the Auditor General* (Section 10.554(1)(i)(7.c) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, 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. 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 us during our audit.



Crestview, Florida  
May 31, 2011