

**CITY OF CRYSTAL RIVER, FLORIDA**

**FINANCIAL REPORT**

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

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CITY OF CRYSTAL RIVER, FLORIDA

FINANCIAL REPORT  
SEPTEMBER 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

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Honorable Mayor and Members of  
the City Council,  
City of Crystal River, Florida

### **Report on the Financial Statements**

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 Crystal River, Florida** (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Community Redevelopment Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Notes 10 and 14, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, as of October 1, 2017. This standard significantly changed the accounting for the City's other post-employment benefit liability and related disclosures. Our opinions were not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 and the Required Supplementary Information on pages 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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.

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The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
April 19, 2019

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# CITY OF CRYSTAL RIVER, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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As management of the City of Crystal River, Florida, (the "City") we offer readers of the City of Crystal River, Florida's financial statements this narrative overview and analysis of the financial activities of the City of Crystal River, Florida for the fiscal year ended September 30, 2018.

### **Overview of the Financial Statements**

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, developmental services, and culture and recreation. The business-type activities of the City include water, sewer and sanitation operation.

The government-wide financial statements can be found on pages 16 - 18 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, 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 two categories: (1) governmental funds, and (2) proprietary funds.

# CITY OF CRYSTAL RIVER, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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**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 financing requirements.

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

The City maintains eight individual governmental funds. 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, Capital Improvement Fund, and Community Redevelopment, which are considered to be major funds. Data from the other governmental funds 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 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and capital improvements fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 -24 of this report.

**Proprietary funds.** The City of Crystal River, Florida maintains proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, sanitation, and Three Sisters operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and sanitation operation, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 25 - 28 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 - 57 of this report.

**CITY OF CRYSTAL RIVER, FLORIDA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements can be found on pages 63-64 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Crystal River, Florida, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50,793,640 at the close of the most recent fiscal year.

By far the largest portion of the City’s net position, 77%, reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Crystal River, Florida’s Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 7,525,622	\$ 7,819,280	\$ 6,670,959	\$ 5,286,753	\$ 14,196,581	\$ 13,106,033
Capital assets	16,868,498	15,957,213	28,691,082	29,748,970	45,559,580	45,706,183
Total assets	<u>24,394,120</u>	<u>23,776,493</u>	<u>35,362,041</u>	<u>35,035,723</u>	<u>59,756,161</u>	<u>58,812,216</u>
Total deferred outflows of resources	<u>847,366</u>	<u>928,649</u>	<u>179,836</u>	<u>157,453</u>	<u>1,027,202</u>	<u>1,086,102</u>
Other liabilities	185,313	504,163	677,819	485,167	863,132	989,330
Long-term liabilities	4,070,766	3,280,008	4,882,346	5,269,922	8,953,112	8,549,930
Total liabilities	<u>4,256,079</u>	<u>3,784,171</u>	<u>5,560,165</u>	<u>5,755,089</u>	<u>9,816,244</u>	<u>9,539,260</u>
Total deferred inflows of resources	<u>150,838</u>	<u>79,425</u>	<u>22,641</u>	<u>8,176</u>	<u>173,479</u>	<u>87,601</u>
Net position:						
Net investment in capital assets	14,868,498	14,607,213	24,113,684	24,716,247	38,982,182	39,323,460
Restricted	2,495,676	2,770,444	77,192	73,983	2,572,868	2,844,427
Unrestricted	3,470,395	3,463,889	5,768,195	4,639,681	9,238,590	8,103,570
Total net position	<u>\$ 20,834,569</u>	<u>\$ 20,841,546</u>	<u>\$ 29,959,071</u>	<u>\$ 29,429,911</u>	<u>\$ 50,793,640</u>	<u>\$ 50,271,457</u>

An additional portion of the City’s net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining \$9,238,590 balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF CRYSTAL RIVER, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

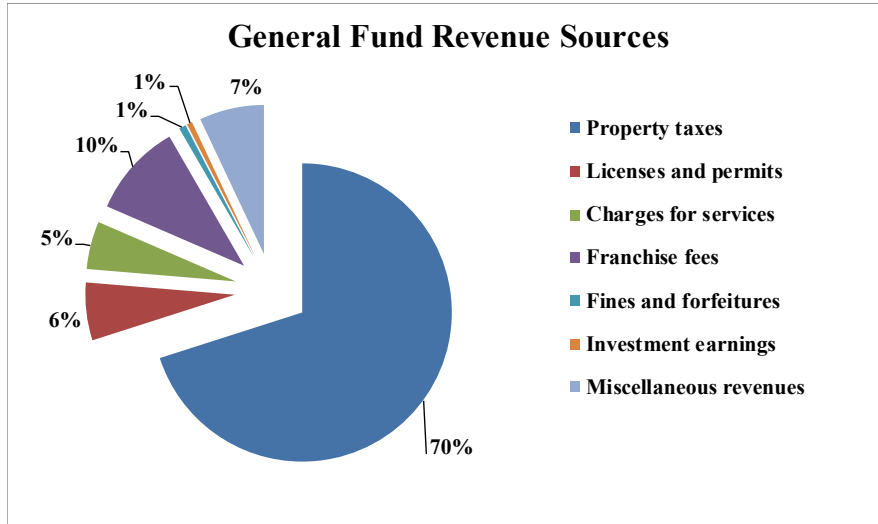
**Governmental activities.** Governmental activities increased the City's net position by \$129,688.

**City of Crystal River, Florida's Changes in Net Position**

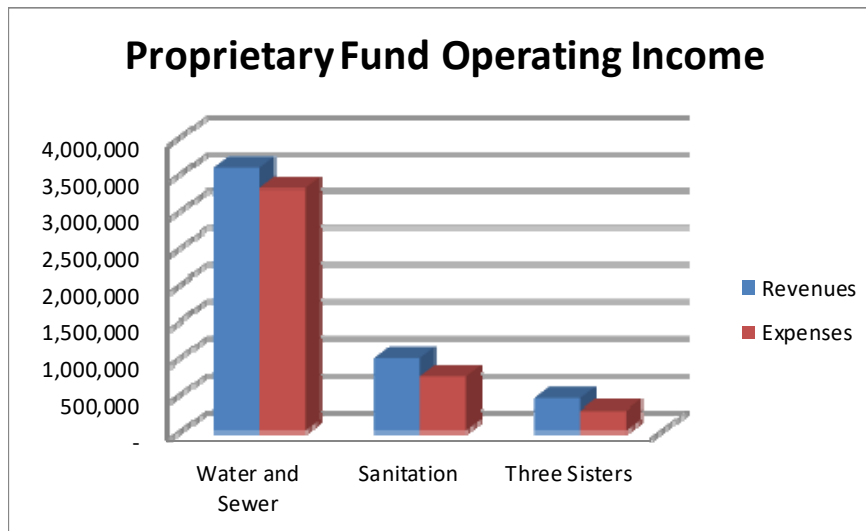
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 535,552	\$ 550,596	\$ 5,024,876	\$ 4,774,912	\$ 5,560,428	\$ 5,325,508
Operating grants and contributions	133,429	2,040,262	-	-	133,429	2,040,262
Capital grants and contributions	11,110	471,499	101,697	-	112,807	471,499
General revenues:						
Property taxes	3,582,012	3,367,690	-	-	3,582,012	3,367,690
Other taxes	704,476	685,441	-	-	704,476	685,441
Other	339,162	235,182	49,310	38,488	388,472	273,670
Total revenues	<u>5,305,741</u>	<u>7,350,670</u>	<u>5,175,883</u>	<u>4,813,400</u>	<u>10,481,624</u>	<u>12,164,070</u>
Operating expenses:						
General government	1,351,214	1,656,337	-	-	1,351,214	1,656,337
Public safety	1,214,931	1,307,052	-	-	1,214,931	1,307,052
Highways and streets	1,611,366	1,780,137	-	-	1,611,366	1,780,137
Culture and recreation	718,350	116,012	-	-	718,350	116,012
Economic development	423,330	333,754	-	-	423,330	333,754
Interest	43,114	15,145	-	-	43,114	15,145
Water and sewer	-	-	3,423,710	2,922,015	3,423,710	2,922,015
Sanitation	-	-	754,340	779,414	754,340	779,414
Three Sisters	-	-	282,421	298,761	282,421	298,761
Total operating expenses	<u>5,362,305</u>	<u>5,208,437</u>	<u>4,460,471</u>	<u>4,000,190</u>	<u>9,822,776</u>	<u>9,208,627</u>
Increase in net position before transfers	(56,564)	2,142,233	715,412	813,210	658,848	2,955,443
Transfers	<u>186,252</u>	<u>324,752</u>	<u>(186,252)</u>	<u>(324,752)</u>	<u>-</u>	<u>-</u>
Change in net position	129,688	2,466,985	529,160	488,458	658,848	2,955,443
Net position, beginning, as restated	<u>20,704,881</u>	<u>18,374,561</u>	<u>29,429,911</u>	<u>28,941,453</u>	<u>50,134,792</u>	<u>47,316,014</u>
Net position, ending	<u>\$ 20,834,569</u>	<u>\$ 20,841,546</u>	<u>\$ 29,959,071</u>	<u>\$ 29,429,911</u>	<u>\$ 50,793,640</u>	<u>\$ 50,271,457</u>

# CITY OF CRYSTAL RIVER, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018



**Business-type activities.** Business-type activities increased the City of Crystal River, Florida's net position by \$529,160.



### Financial Analysis of the Government's Funds

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

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

## CITY OF CRYSTAL RIVER, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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As of the end of the current fiscal year, the City of Crystal River's governmental funds reported combined ending fund balances of \$7,021,130 an increase of \$315,700 in comparison with the prior year. Of the total, \$2,460,278 or 35% constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *non-spendable, restricted or committed* to indicate that it is not available for new spending because it has already been restricted or committed for specific purposes.

The general fund is the chief operating fund of the City of Crystal River. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,460,278 while total fund balance increased to \$4,570,712. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 63% of total general fund expenditures, while total fund balance represents 116% of that same amount.

The fund balance of the City's general fund increased \$590,410 during the current fiscal year as shown on page 21 compared to only a \$10,479 increase for fiscal year 2017. This is primarily due to the reimbursement of the majority of the expenditures the City incurred for Hurricane Hermine from fiscal year 2016 and Hurricane Irma from fiscal year 2017 in excess of \$330,000. Hurricane Hermine brought devastation to many residents and business owners in fiscal year 2016 due to extensive flooding causing many residents to abandon their homes as well as some business closures and relocations. Fortunately, the City was able to fund the clean-up and recovery measures for the community through emergency reserves with the expectation of being reimbursed by FEMA. However, as of the close of fiscal year 2017, the City had received no reimbursement for Hermine costs in excess of \$232,000 and was coupled with the expenditures of Hurricane Irma. While Irma did not impact the residents and businesses to the extent of Hermine, the City still incurred debris clean-up costs of approximately \$100,000. These costs totaling over \$330,000 did greatly impact the City's bottom line for fiscal year 2017; however, the City was able to strengthen their fund balance due to a partial reimbursement in fiscal year 2018. While full-reimbursement has still not been received as of this date, these receipts from FEMA/State of Florida greatly assisted in replenishing the City emergency reserves in fiscal year 2018.

Revenue receipts were 21.8% less than budgeted and expenditures were 40.1% less than budgeted. The majority of this was a result of a \$1.8 million project that did not occur where the City was applying for a grant to complete another Kings Bay Restoration project. As an offset to this non-occurring 100% funded project, the service revenues as well as the main municipal revenue sources came in higher than projected where usually they are below budget. The continuance of our parking meter program as well as enforcement of code has also aided in our positive net position for fiscal year 2018. Also, the City was reimbursed by the State for revenues in excess of \$300,000 that were previously unearned for the Kings Bay Restoration project as well as Hurricane Hermine. The net result of these variances did significantly increase the City's General Fund fund balance at the close of the year by \$590,410.

## CITY OF CRYSTAL RIVER, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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The City contracts with the Citrus County Sheriff's office for law enforcement within the City. We also have a City employee whom fills the position as Water Patrol to educate and monitor the City waterways. The community requested for the Sheriff to also have a presence on our waterways. The City purchased a 16-foot Sea-Ark boat, motor and trailer along with various equipment to assure a regular presence of the Sheriff's Department in Kings Bay. This boat will remain the property of the City and can be removed from the Sheriff Departments use at any time.

Hurricane Hermine brought forth catastrophic damage in fiscal year 2016 to many residents within the City of Crystal River. Part of the FEMA process is they offer Mitigation Grants to assist states and local communities in their efforts to reduce or eliminate the risk of repetitive flood damage to buildings and structures insurable under the National Flood Insurance Program (NFIP). A resident of Crystal River took the time and effort in preparing an application to reconstruct her home that was damaged beyond 50% by Hurricane Hermine. During discussion with FEMA, it is not often that a private homeowner is successful in attaining approval, it is a lengthy process. The individual was awarded a grant for reconstruction and the City of Crystal River was designated as the "pass-through entity" for this individual to carry out part of the Federal Award. The City will construct a home for this individual and receive a federal reimbursement from the State of Florida Division of Emergency Management of 63% and the balance through an agreement with the homeowner and the City. The City will receive a small management fee and will be responsible for monitoring the entire project like any public project.

The City purchased real property in June 2018 for the long-term development of the Crystal River downtown area. The site was the former Coast Guard Auxiliary site located at 148 NE 5<sup>th</sup> Street. Management desires to utilize this site for a creative playground within the City that will include a splash pad.

Overall, the general fund revenues collected were in line with expectations and operating expenditures were not as high as projected.

The Crystal River Community Redevelopment Agency (CRA) of the City continues to grow. Management and staff continue to promote our downtown area through Main Street and festivals. Main Street held several Sip and Strolls throughout the year to assist in promoting the local businesses. Main Street also held an Open House in June 2018, at the 5<sup>th</sup> Street Pump House/Jail in connection with their Preservation and Restoration project of the building. Their desire was to showcase the before and after of the preservation and restoration efforts to the community; the high attendance showed great enthusiasm from the community for such a project. The City's long awaited Riverwalk is still in the construction phase. Landside was completed in fiscal year 2018 and the waterside is expected to be completed in fiscal year 2020. The final draw of the \$3.5 million loan was made in December 2019 in preparation of the waterside startup; some costs for the waterside were incurred in fiscal year 2019 resulting in the negative change in fund balance in fiscal year 2019. Business owners see the growth of our City and continue to bring new businesses to our CRA district. Existing businesses see the potential of the City and continue to make renovations to their building to promote their business to the many tourists that visit our community.

# CITY OF CRYSTAL RIVER, FLORIDA

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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***Proprietary funds.*** The City of Crystal River is comprised of three proprietary funds – Water & Sewer, Sanitation and Three Sister Springs. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The water and sewer fund shows revenues greater than expenditures for the year. Revenues for this fund primarily are derived from water and sewer utility billings – 92.1% of total revenues. The City also receives funds monthly from Duke Energy for reclaimed water; the City pumps reclaimed water to the Duke Energy Crystal River Power Plant for electricity. The effluent water is used in lieu of operation of two coal plants CR4 and CR5. The City received a total of \$38,985 from Duke Energy for fiscal year 2018. The overall fund balance for the water and sewer operating and construction funds continues to grow as the City continues to build up the renewal and replacement account. Staff continued the preparations to add another extension of the sewer line system within Indian Shores at an estimated cost of \$1.85 million along with the appropriation of \$625,000 in fiscal year 2018 for the US 19 widening utility relocation project to be held in an interest-bearing escrow account with the State Comptroller's Office since the work is proposed to be completed by the highway contractor. The City has a Three-Party Escrow Agreement with the Florida Department of Transportation and State of Florida to fund the Highway 19 Utility Relocation Project.

Council approved a five-year contract with U.S. Water Services Corporation in August 2016 (fiscal year 2016); they took over the City's Utility Operations Management effective December 1, 2016, after the City had employed the same company in this position for approximately 26 years. U.S. Water continues to make important operational improvements related to the City water and sewer systems. The City has experienced a water loss for several years and U.S. Water continues to perform leak tests on our lines to determine areas of concern as well as replace customer aging meters for more accurate comparisons of water pumped to water billed. U.S. Water will also play a major role in the upcoming meter replacement program that is expected to begin in fiscal year 2020. The City also purchased 21 additional Omni Site lift station monitoring units for the Woodland Estates area. The City has 67 sanitary lift stations of which only 46 were previously fitted with the Omni Site cellular monitoring equipment. This equipment monitors conditions within a lift station 24 hours a day, seven days a week and during a significant event the device will notify U.S. Water personnel automatically via auto-dial cellular service.

Sanitation continues to hold its own as an enterprise fund. Garbage pickup has been contracted to an outside carrier for years in order to retain lower rates for the City customers. Management continues to monitor the activity.

The Three Sister Springs entered in its third year of operations in fiscal year 2018, in order to continue to provide the community and tourists the opportunity to share an experience with the manatees and enjoy one of the most beautiful and memorable sites of the City of Crystal River. The City serves as the official Concessionaire for land access to the Three Sisters Springs Unit of the Crystal River National Wildlife Refuge. The Three Sisters Springs Center provides valuable information to visitors to Crystal River about Three Sisters Springs, manatee eco-tourism,



## CITY OF CRYSTAL RIVER, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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shopping, dining, entertainment and other points of interest that Crystal River and Citrus County has to offer fiscal year 2018 was the second year for the site to remain open year-round. Manatee season runs from November 15 through March 31; however, the Center and Refuge are still open seven days a week and closed for a few select holidays. City personnel staffed the Refuge and the Welcome Center, and a trolley service is provided to transport visitors to and from the Center and Refuge as well as make various stops throughout the City to assist in economic development of the local businesses. The City purchased a trolley in fiscal year 2017 and a passenger van in fiscal year 2019. Staff converted to a Square Point of Sale System in fiscal year 2018 as a means to simplify the checkout process and provide more detailed reporting of the daily transactions. This enterprise fund continues to prosper as a business. Based on this success, management believes funds derived from this process can be invested into reserves and capital reinvestment for Three Sisters. The City continues to work with U.S. Fish and Wildlife to work through a desirable management plan for all parties involved.

#### **Capital Improvements Fund Budgetary Highlights**

During the year there was an increase between the original budget and the final amended budget due to a few projects that began in prior years and were not completed; as a result, the remaining budget was rolled forward to fiscal year 2018. Such projects included the completion of the Hunter Springs Park renovation, the Kings Bay Park railing project, the first phase of the Creative Playground as well as several paving projects.

#### **Capital Asset and Debt Administration**

**Capital assets.** The City of Crystal River's investment in capital assets for its governmental and business type activities as of September 30, 2018, amounts to \$45,559,580 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities and roads. The slight reduction in the City's investment in capital assets for the current fiscal year was .32% (a 5% increase for governmental activities and a 3% decrease for business-type activities). Major capital asset events during the current fiscal year included the following:

- We added \$1,354,617 of construction in progress for the governmental and business type funds, primarily due to the Riverwalk and the final phase of both the Kings Bay Restoration and Hunter Springs Park projects, along with the startup of the Indian Shores Water Sewer Expansion project. The City also finalized and began capitalization of \$3,134,179 of various projects including the \$1million Hunter Springs Park land acquisition and park improvement, the \$2 million Kings Bay Restoration project that began in fiscal year 2015.
- For decades, residents and city officials talked and dreamed about a Riverwalk in Crystal River, a beautiful boardwalk on the edge of the bay where visitors and residents alike could stroll, relax and enjoy the closeness to nature. For 30 years nothing meaningful was accomplished. This \$5 million project became reality in April 2017, when the workers broke

## CITY OF CRYSTAL RIVER, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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ground on Phase 1, the landward portion of the project. Phase 1 was completed in fiscal year 2018, and now staff continue to move forward to begin Phase II, the waterfront portion of the project. This phase has experienced some delays due to some funding from the BP settlement as well as relocations permitting for four individual property owner's docks directly affected by the Riverwalk and easements for a few properties. Management has received many compliments for the landward portion of the project and now the community continues to wait for the waterfront phase to begin. The Riverwalk will provide a walkable connection between the bay and the downtown businesses. Lined with restaurants, bars, shops, nature and public art, it will be tourist magnet in its own right. All of this has the potential for making the Riverwalk an economic engine for Crystal River.

- Golf carts now show a presence in various areas of the Crystal River. In 2012, Council adopted an ordinance authorizing the use of golf carts on designated municipal streets subject to certain restrictions; however, accommodations were never put in place to enable their safe use throughout the community. In October 2017, a study was completed and streets were designated for golf cart use. Appropriate signage was installed in the designated areas. Golf carts are not legally allowed to cross US-19 or SR 44. All golf carts must be registered with the City and meet certain qualifications before being placed into operation on City streets. All users must follow rules and regulations of operation.
- In September 2016, City staff identified the possibility of expanding the existing Indian Waters Sewer Project that currently includes 95 canal front residents currently served by septic systems and Crystal River State Park for an approximate cost of \$1,850,000. The second phase of this project would add 287 additional residents for approximately \$4,000,000 brings the total investment to \$5,850,000. The proposed project requires a 10% local match investment which can be secured through a special assessment. There is currently an operational package plant that presently sends wastewater effluent directly into Indian River which flows into local canals and Crystal River, which will be taken off line with this expansion project. All wastewater influent will be treated in Crystal River Wastewater Plan and then sent to Duke Energy for reuse in the pollution control devices for generating Plants #4 and #5. During fiscal year 2018, staff began the engineering phase of the project and continues to prepare for the construction phase of the project.

**CITY OF CRYSTAL RIVER, FLORIDA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2018**

**City of Crystal River, Florida’s Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,952,789	\$ 2,842,704	\$ 616,898	\$ 616,898	\$ 3,569,687	\$ 3,459,602
Construction in progress	2,396,222	4,175,784	228,639	100,599	2,624,861	4,276,383
Buildings and improvements	6,095,188	3,288,929	10,535,435	11,074,213	16,630,623	14,363,142
Equipment and vehicles	531,545	720,276	1,580,869	1,719,717	2,112,414	2,439,993
Infrastructure	4,892,754	4,929,520	15,729,241	16,237,543	20,621,995	21,167,063
Total capital assets	<u>\$ 16,868,498</u>	<u>\$ 15,957,213</u>	<u>\$ 28,691,082</u>	<u>\$ 29,748,970</u>	<u>\$ 45,559,580</u>	<u>\$ 45,706,183</u>

Additional information on the City of Crystal River, Florida’s capital assets can be found in Note 5 on pages 41-42 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Crystal River had total bonded debt outstanding of \$3,245,000 and notes payable of \$3,386,524. The bonds payable represent bonds secured solely by specified revenue sources (i.e., revenue bonds). The City also had state revolving loan debt outstanding of \$1,386,524 for the sewer expansion project and had drawn down \$2,000,000 on the CRA note payable. Additional information can be found in Note 6 on pages 42 – 44.

**City of Crystal River, Florida’s Long-term Liabilities Outstanding**

**Debt Outstanding  
As of September 30, 2018**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Total OPEB liability	\$ 291,641	\$ 274,065	\$ -	\$ -	\$ 291,641	\$ 274,065
Compensated absences	108,117	98,656	-	-	108,117	98,656
Net pension liability	1,671,008	1,703,352	250,822	175,340	1,921,830	1,878,692
Bonds payable	-	-	3,245,000	3,636,000	3,245,000	3,636,000
Notes payable	2,000,000	1,350,000	1,386,524	1,458,582	3,386,524	2,808,582
Total debt	<u>\$ 4,070,766</u>	<u>\$ 3,426,073</u>	<u>\$ 4,882,346</u>	<u>\$ 5,269,922</u>	<u>\$ 8,953,112</u>	<u>\$ 8,695,995</u>

**Economic Factors**

- Utility rate increases for water usage and sewer usage were implemented in fiscal year 2013 and will continue to increase 3% each year through the year 2016 based on a rate study completed in fiscal year 2012. The City took steps to begin pursuing another rate study in fiscal year 2018 and plans to implement by the close of fiscal year 2019.

## CITY OF CRYSTAL RIVER, FLORIDA

### MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

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- Ad Valorem tax variances continue to impact our general fund revenues. The County indicated taxable values had increased approximately 2.8%; however, City staff only saw approximately a 2% increase. Over the last few years, the final certified taxable value has reflected a decrease of half to almost 2% less than originally reported. The City mileage rate was raised to 4.5% for fiscal year 2018. This rate was 4.2% for three years and prior to that it had been maintained at 3.8% for years. As the City grows, management looks at the need for the increase.
- Health care insurance premiums increased approximately 3% compared to the prior year of 14%; this increase resulted in almost \$250 per employee per year accounting for an increase of a little over \$7,500 overall. The FRS pension requirements for the City increased slightly as well for fiscal year 2018.
- Interest rates have increased over this last year on money placed on deposit with SBA and local bank accounts. The City continues to maintain over \$1 million in a short-term CD and over \$1 million in money market funds in order to earn a slightly higher rate of interest on funds.
- Hurricane Hermine hit the City on September 2, 2016, but the damage she did to City residents and businesses continues to impact the City. The City staff worked diligently with residents and businesses to help them determine the extent of damage and assist them with obtaining FEMA funding. Hurricane Irma hit on September 11, 2017. While Irma did not impact Crystal River the way Hermine did, both storms have cost the City funding. All those affected by the storms are required to report substantial damage reports.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of Crystal River, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Dave Burnell, City Manager, 123 NW Highway 19, Crystal River, Florida 34428.

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF CRYSTAL RIVER, FLORIDA**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Assets</b>			
Cash and cash equivalents	\$ 4,320,032	\$ 4,975,444	\$ 9,295,476
Investments	1,196,979	58,982	1,255,961
Accounts receivables, net	918,943	866,817	1,785,760
Notes receivable	-	428,265	428,265
Due from other governments	125,000	5,097	130,097
Internal balances	868,143	(868,143)	-
Prepaid items	96,525	672,050	768,575
Inventory	-	234,484	234,484
Restricted asset, cash and cash equivalents	-	297,963	297,963
Capital assets			
Non-depreciable	5,349,011	845,537	6,194,548
Depreciable, net	11,519,487	27,845,545	39,365,032
<b>Total assets</b>	<b>24,394,120</b>	<b>35,362,041</b>	<b>59,756,161</b>
<b>Deferred outflows of resources</b>			
Deferred outflows - pension	837,496	125,710	963,206
Deferred outflows - OPEB	9,870	-	9,870
Deferred charge on refunding	-	54,126	54,126
<b>Total deferred outflows</b>	<b>847,366</b>	<b>179,836</b>	<b>1,027,202</b>
<b>Liabilities</b>			
Accounts payable	130,148	405,135	535,283
Accrued liabilities	47,260	9,187	56,447
Due to other governments	7,905	-	7,905
Accrued interest payable	-	50,396	50,396
Customer deposits payable	-	213,101	213,101
Noncurrent liabilities			
Due within one year	70,278	475,235	545,513
Due in more than one year	4,000,488	4,407,111	8,407,599
<b>Total liabilities</b>	<b>4,256,079</b>	<b>5,560,165</b>	<b>9,816,244</b>
<b>Deferred inflows of resources</b>			
Deferred inflows - pension	150,838	22,641	173,479
<b>Net position</b>			
Net investment in capital assets	14,868,498	24,113,684	38,982,182
Restricted for			
Capital improvements	1,843,314	-	1,843,314
Community development	584,734	-	584,734
Public safety	20,519	-	20,519
Cemetery	47,109	-	47,109
Debt service	-	77,192	77,192
Unrestricted	3,470,395	5,768,195	9,238,590
<b>Total net position</b>	<b>\$ 20,834,569</b>	<b>\$ 29,959,071</b>	<b>\$ 50,793,640</b>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CRYSTAL RIVER, FLORIDA**

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

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 1,351,214	\$ 501,080	\$ -	\$ -
Public safety	1,214,931	33,160	-	-
Highways and streets	1,611,366	1,312	133,429	11,110
Culture/recreation	718,350	-	-	-
Economic development	423,330	-	-	-
Interest on long-term debt	43,114	-	-	-
Total governmental activities	<u>5,362,305</u>	<u>535,552</u>	<u>133,429</u>	<u>11,110</u>
<b>Business-type activities:</b>				
Water and sewer	3,423,710	3,585,867	-	101,697
Sanitation	754,340	989,039	-	-
Three Sisters	282,421	449,970	-	-
Total business-type activities	<u>4,460,471</u>	<u>5,024,876</u>	<u>-</u>	<u>101,697</u>
Total primary government	<u>\$ 9,822,776</u>	<u>\$ 5,560,428</u>	<u>\$ 133,429</u>	<u>\$ 112,807</u>

General revenues  
 Property taxes  
 Gas taxes  
 Sales taxes  
 Franchise fees  
 Investment earnings  
 Miscellaneous  
 Transfers  
 Total general revenues and transfers  
 Change in net position

Net position, beginning of year, as restated  
 Net position, end of year



<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (850,134)	\$ -	\$ (850,134)
(1,181,771)	-	(1,181,771)
(1,465,515)	-	(1,465,515)
(718,350)	-	(718,350)
(423,330)	-	(423,330)
(43,114)	-	(43,114)
<u>(4,682,214)</u>	<u>-</u>	<u>(4,682,214)</u>
-	263,854	263,854
-	234,699	234,699
-	167,549	167,549
-	666,102	666,102
<u>(4,682,214)</u>	<u>666,102</u>	<u>(4,016,112)</u>
3,582,012	-	3,582,012
214,319	-	214,319
45,919	-	45,919
444,238	-	444,238
29,022	49,310	78,332
310,140	-	310,140
186,252	(186,252)	-
<u>4,811,902</u>	<u>(136,942)</u>	<u>4,674,960</u>
129,688	529,160	658,848
20,704,881	29,429,911	50,134,792
<u>\$ 20,834,569</u>	<u>\$ 29,959,071</u>	<u>\$ 50,793,640</u>

**CITY OF CRYSTAL RIVER, FLORIDA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Community Redevelopment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 2,402,397	\$ 1,305,749	\$ 585,917	\$ 25,969	\$ 4,320,032
Investments	1,174,852	10,400	11,727	-	1,196,979
Accounts receivable, net	896,744	22,043	-	156	918,943
Due from other funds	454,949	413,194	-	-	868,143
Due from other governments	-	125,000	-	-	125,000
Prepaid items	94,674	-	1,851	-	96,525
Total assets	<u>\$ 5,023,616</u>	<u>\$ 1,876,386</u>	<u>\$ 599,495</u>	<u>\$ 26,125</u>	<u>\$ 7,525,622</u>
<b>Liabilities, deferred inflows of Resources and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 83,864	\$ 33,072	\$ 13,212	\$ -	\$ 130,148
Accrued liabilities	41,956	-	5,304	-	47,260
Due to other governments	7,905	-	-	-	7,905
Total liabilities	<u>133,725</u>	<u>33,072</u>	<u>18,516</u>	<u>-</u>	<u>185,313</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue	<u>319,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,179</u>
<b>Fund balances</b>					
Nonspendable	94,674	-	1,851	-	96,525
Restricted					
Capital improvements	-	1,843,314	-	-	1,843,314
Community development	-	-	579,128	5,606	584,734
Public safety	-	-	-	20,519	20,519
Cemetery	47,109	-	-	-	47,109
Committed					
Capital improvements	921,251	-	-	-	921,251
Emergency reserves	1,047,400	-	-	-	1,047,400
Unassigned	2,460,278	-	-	-	2,460,278
Total fund balances	<u>4,570,712</u>	<u>1,843,314</u>	<u>580,979</u>	<u>26,125</u>	<u>7,021,130</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,023,616</u>	<u>\$ 1,876,386</u>	<u>\$ 599,495</u>	<u>\$ 26,125</u>	<u>\$ 7,525,622</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CRYSTAL RIVER, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET TO  
THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

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

Total fund balances - governmental funds		\$ 7,021,130
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 24,562,276	
Accumulated depreciation	<u>(7,693,778)</u>	16,868,498
Revenues not available to pay current period expenditures are reported as unavailable revenue in the governmental funds.		319,179
Deferred outflows, deferred inflows, the net pension liability and the total OPEB liability related to the City's pension and OPEB plans are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.		
Deferred outflows - pension	837,496	
Deferred inflows - pension	(150,838)	
Deferred outflows - OPEB	9,870	
Total OPEB liability	(291,641)	
Net pension liability	<u>(1,671,008)</u>	(1,266,121)
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.		
Compensated absences	(108,117)	
Note payable	<u>(2,000,000)</u>	<u>(2,108,117)</u>
Net position of governmental activities		<u><u>\$ 20,834,569</u></u>

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

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Community Redevelopment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>					
Property taxes	\$ 3,064,647	\$ -	\$ 517,365	\$ -	\$ 3,582,012
Other taxes	-	214,319	-	-	214,319
Licenses and permits	274,225	-	-	-	274,225
Intergovernmental revenues	249,037	182,029	49,900	-	480,966
Charges for services	226,855	-	-	-	226,855
Franchise fees	444,238	-	-	-	444,238
Fines and forfeitures	33,160	-	-	-	33,160
Impact fees	-	-	-	1,312	1,312
Investment earnings	25,695	197	3,110	20	29,022
Miscellaneous revenues	305,735	-	4,305	100	310,140
Total revenues	<u>4,623,592</u>	<u>396,545</u>	<u>574,680</u>	<u>1,432</u>	<u>5,596,249</u>
<b>Expenditures</b>					
Current					
General government	1,236,526	-	1,587,312	20	2,823,858
Public safety	1,134,095	-	-	-	1,134,095
Highways and streets	857,861	-	-	-	857,861
Economic development	339,504	-	-	-	339,504
Culture/recreation	368,332	-	-	-	368,332
Debt service					
Interest	-	-	43,114	-	43,114
Capital outlay	-	550,037	-	-	550,037
Total expenditures	<u>3,936,318</u>	<u>550,037</u>	<u>1,630,426</u>	<u>20</u>	<u>6,116,801</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>687,274</u>	<u>(153,492)</u>	<u>(1,055,746)</u>	<u>1,412</u>	<u>(520,552)</u>
<b>Other financing sources (uses)</b>					
Note proceeds	-	-	650,000	-	650,000
Transfers in	203,136	300,000	-	-	503,136
Transfers out	(300,000)	-	(16,884)	-	(316,884)
Total other financing sources (uses)	<u>(96,864)</u>	<u>300,000</u>	<u>633,116</u>	<u>-</u>	<u>836,252</u>
<b>Change in fund balances</b>	590,410	146,508	(422,630)	1,412	315,700
<b>Fund balances, beginning of year</b>	<u>3,980,302</u>	<u>1,696,806</u>	<u>1,003,609</u>	<u>24,713</u>	<u>6,705,430</u>
<b>Fund balances, end of year</b>	<u>\$ 4,570,712</u>	<u>\$ 1,843,314</u>	<u>\$ 580,979</u>	<u>\$ 26,125</u>	<u>\$ 7,021,130</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CRYSTAL RIVER, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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<b>Net Change in Fund Balances – Total Governmental Funds</b>		<b>\$ 315,700</b>
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.</p>		
Capital outlay	\$ 1,775,381	
Less current year depreciation	<u>(864,096)</u>	911,285
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.</p>		
Debt proceeds		(650,000)
<p>Revenues that are reported in the Statement of Activities that do not create current financial resources are not reported as revenues in governmental funds. This activity consists of:</p>		
Intergovernmental revenue		(290,508)
<p>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.</p>		
Change in compensated absences	(9,461)	
OPEB expense	(17,106)	
Pension expense	<u>(130,222)</u>	<u>(156,789)</u>
<b>Change in net position of governmental activities</b>		<b><u><u>\$ 129,688</u></u></b>

**The accompanying notes to financial statements are an integral part of this statement.**

**CITY OF CRYSTAL RIVER, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 3,048,655	\$ 3,048,655	\$ 3,064,647	\$ 15,992
Licenses and permits	177,587	245,587	274,225	28,638
Intergovernmental revenues	1,803,450	1,803,450	249,037	(1,554,413)
Charges for services	275,974	267,267	226,855	(40,412)
Franchise fees	425,000	425,000	444,238	19,238
Fines and forfeitures	23,500	23,500	33,160	9,660
Investment earnings	15,780	15,780	25,695	9,915
Miscellaneous revenues	58,550	66,205	305,735	239,530
Total revenues	<u>5,828,496</u>	<u>5,895,444</u>	<u>4,623,592</u>	<u>(1,271,852)</u>
<b>Expenditures</b>				
Current				
General government	1,454,470	1,559,039	1,236,526	322,513
Public safety	1,152,738	1,175,392	1,134,095	41,297
Highways and streets	965,757	1,013,094	857,861	155,233
Economic development	303,192	378,839	339,504	39,335
Culture/recreation	1,954,167	2,152,937	368,332	1,784,605
Total expenditures	<u>5,830,324</u>	<u>6,279,301</u>	<u>3,936,318</u>	<u>2,342,983</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(1,828)</u>	<u>(383,857)</u>	<u>687,274</u>	<u>1,071,131</u>
<b>Other financing sources (uses)</b>				
Transfers in	343,136	607,736	203,136	(404,600)
Transfers out	(250,000)	(1,286,851)	(300,000)	986,851
Total other financing sources (uses)	<u>93,136</u>	<u>(679,115)</u>	<u>(96,864)</u>	<u>582,251</u>
<b>Change in fund balance</b>	91,308	(1,062,972)	590,410	1,653,382
<b>Fund balance, beginning of year</b>	<u>3,980,302</u>	<u>3,980,302</u>	<u>3,980,302</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 4,071,610</u>	<u>\$ 2,917,330</u>	<u>\$ 4,570,712</u>	<u>\$ 1,653,382</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CRYSTAL RIVER, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**COMMUNITY REDEVELOPMENT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 528,123	\$ 528,123	\$ 517,365	\$ (10,758)
Intergovernmental revenues	907,855	907,855	49,900	(857,955)
Investment earnings	2,750	2,750	3,110	360
Miscellaneous revenues	264	264	4,305	4,041
Total revenues	<u>1,438,992</u>	<u>1,438,992</u>	<u>574,680</u>	<u>(864,312)</u>
<b>Expenditures</b>				
Current				
General government	3,822,108	4,825,717	1,587,312	3,238,405
Debt service				
Interest	<u>100,000</u>	<u>100,000</u>	<u>43,114</u>	<u>56,886</u>
Total expenditures	<u>3,922,108</u>	<u>4,925,717</u>	<u>1,630,426</u>	<u>3,295,291</u>
<b>Deficiency of revenues over expenditures</b>	<u>(2,483,116)</u>	<u>(3,486,725)</u>	<u>(1,055,746)</u>	<u>2,430,979</u>
<b>Other financing sources (uses)</b>				
Debt proceeds	2,500,000	2,500,000	650,000	(1,850,000)
Transfers out	<u>(16,884)</u>	<u>(16,884)</u>	<u>(16,884)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,483,116</u>	<u>2,483,116</u>	<u>633,116</u>	<u>(1,850,000)</u>
<b>Change in fund balance</b>	-	(1,003,609)	(422,630)	580,979
<b>Fund balance, beginning of year</b>	<u>1,003,609</u>	<u>1,003,609</u>	<u>1,003,609</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,003,609</u>	<u>\$ -</u>	<u>\$ 580,979</u>	<u>\$ 580,979</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CRYSTAL RIVER, FLORIDA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018**

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	<u>Total</u>
	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Three Sisters</u>	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 4,441,663	\$ 247,558	\$ 286,223	\$ 4,975,444
Investments	58,392	590	-	58,982
Restricted cash and cash equivalents	297,963	-	-	297,963
Accounts receivable, net	729,039	137,778	-	866,817
Notes receivable, current	87,740	-	-	87,740
Due from other governments	5,097	-	-	5,097
Due from other funds	-	41,912	-	41,912
Prepays	664,513	-	7,537	672,050
Inventory	234,484	-	-	234,484
Total current assets	<u>6,518,891</u>	<u>427,838</u>	<u>293,760</u>	<u>7,240,489</u>
Noncurrent assets				
Notes receivable, long-term	340,525	-	-	340,525
Capital assets, non-depreciable	845,537	-	-	845,537
Capital assets, net	27,751,117	-	94,428	27,845,545
Total noncurrent assets	<u>28,937,179</u>	<u>-</u>	<u>94,428</u>	<u>29,031,607</u>
<b>Total assets</b>	<u>35,456,070</u>	<u>427,838</u>	<u>388,188</u>	<u>36,272,096</u>
<b>Deferred outflows of resources</b>				
Deferred outflows - pension	57,403	-	68,307	125,710
Deferred charge on refunding	54,126	-	-	54,126
<b>Total deferred outflows of resources</b>	<u>111,529</u>	<u>-</u>	<u>68,307</u>	<u>179,836</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	359,278	38,743	7,114	405,135
Notes payable	74,235	-	-	74,235
Bonds payable	401,000	-	-	401,000
Accrued liabilities	2,773	-	6,414	9,187
Due to other funds	899,749	-	10,306	910,055
Liabilities payable from restricted assets				
Accrued interest	50,396	-	-	50,396
Customer deposits payable	170,375	-	42,726	213,101
Total current liabilities	<u>1,957,806</u>	<u>38,743</u>	<u>66,560</u>	<u>2,063,109</u>
Noncurrent liabilities				
Notes payable, net of current portion	1,312,289	-	-	1,312,289
Bonds payable, net of current portion	2,844,000	-	-	2,844,000
Net pension liability	114,533	-	136,289	250,822
Total non-current liabilities	<u>4,270,822</u>	<u>-</u>	<u>136,289</u>	<u>4,407,111</u>
Total liabilities	<u>6,228,628</u>	<u>38,743</u>	<u>202,849</u>	<u>6,470,220</u>
<b>Deferred inflows of resources</b>				
Deferred inflows - pension	10,339	-	12,302	22,641
<b>Net position</b>				
Net investment in capital assets	24,019,256	-	94,428	24,113,684
Restricted for				
Debt service	77,192	-	-	77,192
Unrestricted	5,232,184	389,095	146,916	5,768,195
Total net position	<u>\$ 29,328,632</u>	<u>\$ 389,095</u>	<u>\$ 241,344</u>	<u>\$ 29,959,071</u>

The notes to the financial statements are an integral part of these statements.



**CITY OF CRYSTAL RIVER, FLORIDA**

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

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	<u>Total</u>
	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Three Sisters</u>	
<b>Operating revenues</b>				
Charges for services	\$ 3,303,535	\$ 961,459	\$ 428,357	\$ 4,693,351
Miscellaneous	<u>282,332</u>	<u>27,580</u>	<u>21,613</u>	<u>331,525</u>
Total operating revenues	<u>3,585,867</u>	<u>989,039</u>	<u>449,970</u>	<u>5,024,876</u>
<b>Operating expenses</b>				
General and administrative	1,840,276	754,340	274,422	2,869,038
Depreciation	<u>1,460,553</u>	<u>-</u>	<u>7,999</u>	<u>1,468,552</u>
Total operating expenses	<u>3,300,829</u>	<u>754,340</u>	<u>282,421</u>	<u>4,337,590</u>
<b>Operating income</b>	<u>285,038</u>	<u>234,699</u>	<u>167,549</u>	<u>687,286</u>
<b>Nonoperating revenues (expenses)</b>				
Investment earnings	47,277	1,277	756	49,310
Interest expense	<u>(122,881)</u>	<u>-</u>	<u>-</u>	<u>(122,881)</u>
Total nonoperating revenues (expenses)	<u>(75,604)</u>	<u>1,277</u>	<u>756</u>	<u>(73,571)</u>
Income before capital contributions and transfers	209,434	235,976	168,305	613,715
<b>Capital contributions</b>	101,697	-	-	101,697
<b>Transfers out</b>	<u>(160,430)</u>	<u>(25,822)</u>	<u>-</u>	<u>(186,252)</u>
<b>Changes in net position</b>	150,701	210,154	168,305	529,160
<b>Total net position, beginning of year</b>	<u>29,177,931</u>	<u>178,941</u>	<u>73,039</u>	<u>29,429,911</u>
<b>Total net position, end of year</b>	<u>\$ 29,328,632</u>	<u>\$ 389,095</u>	<u>\$ 241,344</u>	<u>\$ 29,959,071</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF CRYSTAL RIVER, FLORIDA**

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

	Major Funds		Nonmajor Fund	Total
	Water and Sewer	Sanitation	Three Sisters	
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 3,702,859	\$ 987,317	\$ 445,957	\$ 5,136,133
Cash paid to suppliers for goods and services	(2,207,051)	(762,134)	(244,618)	(3,213,803)
Net cash provided by operating activities	1,495,808	225,183	201,339	1,922,330
<b>Cash flows from noncapital financing activities</b>				
Transfer to other funds	(160,430)	(25,822)	-	(186,252)
Net cash used in noncapital financing activities	(160,430)	(25,822)	-	(186,252)
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of capital assets	(410,664)	-	-	(410,664)
Principal paid on notes payable	(72,058)	-	-	(72,058)
Principal paid on bonds payable	(391,000)	-	-	(391,000)
Capital grants received	96,600	-	-	96,600
Interest paid	(120,438)	-	-	(120,438)
Net cash used in capital and related financing activities	(897,560)	-	-	(897,560)
<b>Cash flows from investing activities</b>				
Purchase of investments	(1,000)	(11)	-	(1,011)
Interest received	47,277	1,277	756	49,310
Net cash provided by investing activities	46,277	1,266	756	48,299
<b>Net change in cash and cash equivalents</b>	484,095	200,627	202,095	886,817
<b>Cash and cash equivalents, beginning of year</b>	4,255,531	46,931	84,128	4,386,590
<b>Cash and cash equivalents, end of year</b>	\$ 4,739,626	\$ 247,558	\$ 286,223	\$ 5,273,407
<b>Cash and cash equivalents classified as</b>				
Cash and cash equivalents	\$ 4,441,663	\$ 247,558	\$ 286,223	\$ 4,975,444
Restricted cash and cash equivalents	297,963	-	-	297,963
Total cash and cash equivalents	\$ 4,739,626	\$ 247,558	\$ 286,223	\$ 5,273,407

(Continued)

**CITY OF CRYSTAL RIVER, FLORIDA**

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

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Three Sisters</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 285,038	\$ 234,699	\$ 167,549	\$ 687,286
Adjustment to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,460,553	-	7,999	1,468,552
Change in operating assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(27,990)	(1,722)	-	(29,712)
Notes receivable	141,262	-	-	141,262
Due from other funds	(11,698)	-	-	(11,698)
Due from other governments	-	-	-	-
Prepays	(626,296)	-	(4,013)	(630,309)
Deferred outflows - pension	(24,564)	-	(5,552)	(30,116)
Inventory	39,019	-	-	39,019
Increase (decrease) in liabilities:				
Accounts payable	193,956	(7,794)	4,531	190,693
Accrued liabilities	980	-	2,549	3,529
Due to other funds	-	-	157	157
Net pension liability	54,298	-	21,184	75,482
Deferred inflows - pension	7,530	-	6,935	14,465
Customer deposits	3,720	-	-	3,720
Net cash provided by operating activities	<u>\$ 1,495,808</u>	<u>\$ 225,183</u>	<u>\$ 201,339</u>	<u>\$ 1,922,330</u>

**The notes to the financial statements are an integral part of these statements.**

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# CITY OF CRYSTAL RIVER, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The financial statements of the City of Crystal River, Florida (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the City are described below.

The City was incorporated on July 1, 1903, by Senate Bill No. 603 under Article VIII, Section 2 of the Constitution of the State of Florida. The City operates under a Commission-Manager form of government under which a Mayor and a five member Commission is elected to serve as the executive and legislative body for the City. The Commissioners appoint a City Manager whose duties include the administration of directives and policies of the Commissioners and who has the responsibility for the operation of all City provided services as authorized by its charter.

The accompanying financial statements present the City’s primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Blended component units, although legally separate entities, are in substance part of the City’s operations and as a result considered to be financially accountable. The financial transactions of these component units are merged in with similar transactions of the City as part of the primary government.

#### Blended Component Unit

The financial statements of the City of Crystal River, Florida Community Redevelopment Agency (the CRA) are included in the financial reporting entity as a blended component unit. The CRA was created by City Ordinance No. 88-0-19 as authorized by Part III of Chapter 163 of the Florida State Statutes. The members of the CRA’s board are appointed by the City Council. The CRA is fiscally dependent on the City, and the City Council approves the CRA’s annual budget.

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

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between the governmental and business-type activities of the City.

# CITY OF CRYSTAL RIVER, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### B. Government-Wide and Fund Financial Statements – Continued

Each statement distinguishes between activities that are supported primarily by taxes and intergovernmental revenues (*governmental activities*) and activities that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, economic development and culture and recreation. The business-type activities of the City include the water and sewer system and sanitation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The effect of administrative and support services' indirect expense allocations has been eliminated in the government-wide financial statements. Depreciation expense for capital assets that serve all functions is reported as a direct expense of the general government function on the government-wide statement of activities. All interest on long term debt is considered indirect and is reported separately in the government-wide statement of activities.

*Program revenues* include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, and other items not properly included among program revenues are reported instead as *general revenues*. For identifying the function to which program revenue pertains, the determining factor for *charges for services* is the function that generates the revenue. For *grants and contributions*, the determining factor is the function to which the revenues are restricted.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Fund structures have been designed to comply with all the requirements of bond resolutions and regulatory provisions or administrative action. The fund financial statements report additional and detailed information about the City's operations for major funds individually and non-major funds in the aggregate for governmental and proprietary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements, as well as the fund financial statements for proprietary funds and fiduciary funds, are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred regardless of the timing of related cash flows. Agency funds, however, have no measurement focus.

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Proprietary Funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from producing or providing goods and services such as water, sewer and garbage services. Operating expenses for these operations include all costs related to providing the service or product. These costs include salaries, supplies, travel, contract services, depreciation, administrative expenses or other expense directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as non-operating revenues and expenses.

All governmental fund financial statements are reported using a *current financial resources measurement focus* on a *modified accrual basis of accounting*. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. However, grant revenues are considered to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated sick pay and accumulated vacation pay, which are not recorded as expenditures; (2) prepaid insurance and similar items, which are reported only on the balance sheet and do not affect expenditures; and (3) principal and interest on long-term debt, which are recognized when due.

Licenses and permits, charges for services, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash, because they are generally not measurable until actually received. Investment earnings and most fines and forfeitures are recorded as earned since they are measurable and available.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the General Fund.

The *Capital Improvement Fund* is used to account for a portion of State revenue sharing and local option gas tax revenue, which is restricted for street and drainage expenditures.

The *Community Redevelopment Fund* is used to account for the tax increment development receipts and expenditures thereof.

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

The following are reported as major proprietary funds:

The *Water and Sewer Fund* is used to account for the operation of the City’s potable water, wastewater services to residents and businesses.

The *Sanitation Fund* is used to account for the operations of the City’s sanitation collection services.

The City also reports the following fund type:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain City’s functions because the 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 property taxes.

*Proprietary funds* distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. 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 City’s policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned and then unassigned.



# CITY OF CRYSTAL RIVER, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### D. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

State Statutes authorize the City to invest in direct obligations of the U.S. Treasury, Local Government Surplus Trust Fund, SEC registered money market funds with the highest credit quality rating and savings, the State Treasurer's Investment Pool, and certificate of deposit accounts in State-certified public depositories.

Cash in excess of current requirements is invested in the State of Florida's Local Government Investment Pool (Florida Fund B). Florida Fund B, created by Section 218.409(6)(a) of the Florida Statutes, is a stable net asset value investment pool which follows Standard & Poor's criteria for AAAM rated money market funds and is regulated by the Florida State Board of Administration. However, Florida Fund B operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings net of management fees on a monthly basis and determines participants' shares sold and redeemed based on \$1.00 per share.

Cash deposits are reported at carrying amount, which reasonably estimates fair value.

#### E. Receivables

All trade receivables are reported net of an allowance for uncollectibles, which is generally equivalent to the receivables that are over 90 days past due.

#### F. Inventory and Prepaid Items

Inventories are determined by physical count and valued at cost using first-in first-out (FIFO) method. Inventories, consisting of expendable supplies are recorded as expenditures as they are used (consumption method). Governmental Fund inventories are classified as nonspendable fund balance which indicates that the fund balance is not in spendable form. A prepaid expense/expenditure is recognized when a cash expense/expenditure is made for goods or services that were purchased for consumption, but not consumed as of September 30.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

**G. Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” in the fund financial statements. Short-term interfund loans are classified as “interfund receivables/payables.” Long-term interfund loans are classified as advances.

**H. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items are recorded at acquisition value.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended September 30, 2018, no interest was capitalized.

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

Buildings and improvements	10-40 years
Infrastructure	10-25 years
Equipment and vehicles	5-10 years

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

# CITY OF CRYSTAL RIVER, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The *deferred charge on refunding* reported in the proprietary statement of net position as well as the government-wide statement of net position results from the difference in the carrying value of refunded debt and its requisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The City has deferred inflows and deferred outflows related to the recording of changes in its net pension liability and total OPEB liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension and OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service life of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. The changes in proportion and differences between City contributions and proportionate share of contributions are also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the City to the pension and OPEB plans before year end but subsequent to the measurement date of the City's net pension liability or total OPEB liability are reported as deferred outflows of resources.

#### J. 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 position. Bond premiums and discounts 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 expenses in the year the debt is issued.

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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

---

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

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. Therefore, all sick pay is expensed when incurred. The City does allow for employees to accumulate earned but unused vacation time with such time being fully vested when earned. For the City's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Net Position/Fund Balance Classification

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure into one component of net position. Accumulated depreciation and the outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions in enabling legislation.

At year-end, governmental activities net position restricted for other purposes was composed of amounts related to purposes as noted in the Statement of Net Position.

Unrestricted Net Position – This category represents net position that does not meet the definition of "net investment in capital assets" or "restricted."

In accordance with GASB Statement No. 54, the City classifies governmental fund balance as follows:

*Nonspendable Fund Balance* – This represents amounts that cannot be spent due to form (e.g. inventories, prepaid amounts) or legally or contractually required to be maintained intact (such as corpus of an endowment fund).

*Restricted Fund Balance* – This represents amounts constrained for a specific purpose by external parties, such as creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

L. Net Position/Fund Balance Classification – Continued

*Committed Fund Balance* – This represents amounts that can only be used for specific purposes determined by a formal action (ordinance) of the City Council, the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of action.

*Assigned Fund Balance* – Assigned fund balances includes spendable fund balance amounts established by management of the City that are intended to be used for a specific purposes that are neither considered restricted or committed. Intent is expressed by the City Council or a body or official to which the City Council have delegated authority, which is the City Manager, to assign amounts to be used for specific purposes. Appropriations of existing fund balances to eliminate deficits in a future budget and encumbrances are considered assignments of fund balance.

*Unassigned Fund Balance* – This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

The desired unassigned General Fund balance shall be not less than two months or 16% of General Fund operating expenditures. The desired combined unrestricted available fund balances should not be less than three months or 25%. The three month minimum is based on the caveat that there is sufficient cash available for borrowing in other funds in case of a natural disaster. Minimum target levels of unassigned fund balance are reviewed annually. If fund balance falls below minimum target levels, the City Manager will so advise the City Council in order for the necessary action to be taken to restore the unassigned fund balance to acceptable levels within two budget cycles.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it such as in grant agreements requiring dollar for dollar spending.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

**M. Property Taxes**

Property tax revenue is recognized in the year for which taxes are levied provided the availability test is met.

The value of all taxable property is assessed as of January 1. The City Council levies property taxes by approving the millage rate for the following fiscal year in September. Property taxes become due and payable on November 1 of the same year. A 4% discount is allowed if the taxes are paid in November, with the discount declining by 1% each month thereafter. Taxes become delinquent on April 1 of the next year and tax certificates for the full amount of any unpaid taxes and assessments must be sold not later than June 1. Tax certificate proceeds are remitted to the City, thereby assuring that virtually all taxes levied are collected within the same fiscal year, after allowing for discounts and any disputed assessment in litigation. The tax certificate, once sold, represents a lien on the property, which may be redeemed by the property owner by paying the face amount of the certificate plus interest and other costs. Property taxes receivable and a corresponding reserve for uncollectable property taxes are not included in the financial statements, as there are no material delinquent taxes as of September 30, 2018. No accrual for the property tax levy becoming due in November of 2018, is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

**N. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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/expenditures during the reporting period. Actual results could differ from those estimates.

**O. Pension**

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

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**NOTE 2 – LEGAL COMPLIANCE – BUDGETS**

**A. Budgets and Budgetary Data**

The annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopts a project-length budget.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Council prepares a proposed operating budget for the year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the City offices to obtain taxpayer comments.
3. After the public hearing, the City Council formally adopts the budget.
4. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only.
5. Budgets for the governmental funds and the enterprise funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budget amounts are as originally adopted or as amended by the City Council.

**B. Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the City.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

At September 30, 2018, the City had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Florida Fund B	33 days weighted average	AAAm	\$ 155,865
Certificate of deposit	October 2018	N/A	1,100,096
			<u>\$ 1,255,961</u>

Interest rate risk. The City does not have a formal investment policy limiting investment maturities as part of managing its exposure to fair value losses arising from increasing interest rates. However, the City has minimal interest rate risk as cash and cash equivalents have maturity dates of less than one year.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of a depository financial institution’s failure, the City’s deposits may not be returned. The City does not have a formal custodial credit risk policy. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2018, the City had no uncollateralized deposits as defined by GASB pronouncements.

**NOTE 4 – RECEIVABLES**

Receivables as of September 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Capital Improvements Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
Receivables						
Accounts	\$ 1,838,200	\$ 22,043	\$ 156	\$ 1,002,973	\$ 198,043	\$ 3,061,415
Notes	-	-	-	428,265	-	428,265
Due from other governments	-	125,000	-	5,097	-	130,097
Less allowance for uncollectible receivables	(941,456)	-	-	(273,934)	(60,265)	(1,275,655)
	<u>\$ 896,744</u>	<u>\$ 147,043</u>	<u>\$ 156</u>	<u>\$ 1,162,401</u>	<u>\$ 137,778</u>	<u>\$ 2,344,122</u>

Notes receivable represent amounts due from new water and sewer customers for expansion fees. Principal and interest are due in monthly installments of \$38 on various maturities.



**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Ending Balance</u>
Primary government:					
Governmental activities					
Capital assets not being depreciated					
Land	\$ 2,842,704	\$ 110,085	\$ -	\$ -	\$ 2,952,789
Construction in progress	4,175,784	1,354,617	-	(3,134,179)	2,396,222
Total assets not being depreciated	<u>7,018,488</u>	<u>1,464,702</u>	<u>-</u>	<u>(3,134,179)</u>	<u>5,349,011</u>
Capital assets being depreciated					
Buildings and improvements	5,420,812	8,145	-	3,134,179	8,563,136
Equipment and vehicles	2,927,043	35,558	-	-	2,962,601
Infrastructure	7,420,552	266,976	-	-	7,687,528
Total assets being depreciated	<u>15,768,407</u>	<u>310,679</u>	<u>-</u>	<u>3,134,179</u>	<u>19,213,265</u>
Less accumulated depreciation					
Buildings and improvements	(2,131,883)	(336,065)	-	-	(2,467,948)
Equipment and vehicles	(2,206,767)	(224,289)	-	-	(2,431,056)
Infrastructure	(2,491,032)	(303,742)	-	-	(2,794,774)
Total accumulated depreciation	<u>(6,829,682)</u>	<u>(864,096)</u>	<u>-</u>	<u>-</u>	<u>(7,693,778)</u>
Total assets depreciated, net	<u>8,938,725</u>	<u>(553,417)</u>	<u>-</u>	<u>3,134,179</u>	<u>11,519,487</u>
Governmental activities, net	<u>\$ 15,957,213</u>	<u>\$ 911,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,868,498</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 616,898	\$ -	\$ -	\$ -	\$ 616,898
Construction in progress	100,599	128,040	-	-	228,639
Total assets not being depreciated	<u>717,497</u>	<u>128,040</u>	<u>-</u>	<u>-</u>	<u>845,537</u>
Capital assets being depreciated					
Buildings and improvements	22,055,975	121,758	-	-	22,177,733
Equipment and vehicles	7,762,556	160,866	-	-	7,923,422
Infrastructure	17,994,809	-	-	-	17,994,809
Total assets being depreciated	<u>47,813,340</u>	<u>282,624</u>	<u>-</u>	<u>-</u>	<u>48,095,964</u>
Less accumulated depreciation					
Buildings and improvements	(10,981,762)	(660,536)	-	-	(11,642,298)
Equipment and vehicles	(6,042,839)	(299,714)	-	-	(6,342,553)
Infrastructure	(1,757,266)	(508,302)	-	-	(2,265,568)
Total accumulated depreciation	<u>(18,781,867)</u>	<u>(1,468,552)</u>	<u>-</u>	<u>-</u>	<u>(20,250,419)</u>
Total assets depreciated, net	<u>29,031,473</u>	<u>(1,185,928)</u>	<u>-</u>	<u>-</u>	<u>27,845,545</u>
Business-type activities, net	<u>\$ 29,748,970</u>	<u>\$ (1,057,888)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,691,082</u>

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 5 – CAPITAL ASSETS – CONTINUED**

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

Governmental activities	
General government	\$ 71,709
Public safety	90,098
Highways and streets	578,750
Culture and recreation	52,044
Economic development	71,495
	<u>\$ 864,096</u>
Business-type activities	
Water and sewer	\$ 1,460,553
Three Sisters	7,999
	<u>\$ 1,468,552</u>

**NOTE 6 – LONG TERM DEBT**

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2018:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Governmental activities					
Note payable	\$ 1,350,000	\$ 650,000	\$ -	\$ 2,000,000	\$ -
Total OPEB liability	274,065	26,976	(9,400)	291,641	-
Net pension liability	1,703,352	826,878	(859,222)	1,671,008	-
Compensated absences	98,656	104,421	(94,960)	108,117	70,278
Total governmental activities	<u>\$ 3,426,073</u>	<u>\$ 1,608,275</u>	<u>\$ (963,582)</u>	<u>\$ 4,070,766</u>	<u>\$ 70,278</u>
Business-type activities					
Bonds payable	\$ 3,636,000	\$ -	\$ (391,000)	\$ 3,245,000	\$ 401,000
Notes payable	1,458,582	-	(72,058)	1,386,524	74,235
Net pension liability	175,340	123,557	(48,075)	250,822	-
Total business-type activities	<u>\$ 5,269,922</u>	<u>\$ 123,557</u>	<u>\$ (511,133)</u>	<u>\$ 4,882,346</u>	<u>\$ 475,235</u>

The beginning balance for the total OPEB liability has been modified from the amount reported in the September 30, 2017, financial statements in order to reflect the change in accounting principle as required by GASB Statement No. 75.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**NOTE 6 – LONG TERM DEBT – CONTINUED**

Long-term debt payable as of September 30, 2018, is composed of the following issues:

**Revenue Bonds**

Utility System Revenue Refunding Bond, Series 2012, due in annual installments through October 1, 2026, in amounts ranging from \$233,000 to \$476,000, plus interest at a rate of 2.39%; collateralized by revenue from the water and sewer system. The purpose of the issuance was: (1) refunding the City's Water and Sewer Revenue Refunding Bonds, Series 1992, (2) financing improvements to the City's water and sewer system, and (3) funding the cost of issuance of the bonds. \$ 3,245,000

Total bonds payable \$ 3,245,000

**Notes Payable**

Community Redevelopment Agency Note, this is a construction line of credit agreement for \$3,500,000 of which \$1,350,000 had been drawn as of September 30, 2017. The note bears interest during the construction period at the floating rate of the Wall Street Journal Prime Rate minus 2.28% reset each time the Wall Street Journal Prime Rate changes during the construction period. Actual principal and interest payments will commence on June 15, 2019, or completion of the construction period. \$ 2,000,000

Water and Sewer State Revolving Fund Loan, due in annual installments of \$37,977 including interest at the rate of 2.06% on various maturities; collateralized by revenues of the Water and Sewer Fund. \$ 448,628

Water and Sewer State Revolving Fund Loan, due in annual installments of \$37,518 including interest at the rate of 1.46% on various maturities; collateralized by revenues of the Water and Sewer Fund. 488,344

Water and Sewer State Revolving Fund Loan, due in annual installments of \$34,050 including interest at the rate of 1.23% on various maturities; collateralized by revenues of the Water and Sewer Fund. 449,552

Total business-type notes payable \$ 1,386,524

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 – LONG TERM DEBT – CONTINUED**

The annual debt service payments required on outstanding debt at September 30, 2018, are as follows:

<b>Fiscal Year</b>	<b>Revenue Bonds, Series 2012</b>			<b>State Revolving Fund Loans</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 401,000	\$ 75,189	\$ 476,189	\$ 74,235	\$ 35,330	\$ 109,565
2020	410,000	65,558	475,558	76,175	33,390	109,565
2021	419,000	55,698	474,698	78,165	31,400	109,565
2022	430,000	45,625	475,625	80,206	29,359	109,565
2023	439,000	35,288	474,288	82,302	27,263	109,565
2024-2028	1,146,000	41,395	1,187,395	444,914	102,911	547,825
2029-2033	-	-	-	467,943	41,887	509,830
2034-2035	-	-	-	82,584	1,565	84,149
	<u>\$ 3,245,000</u>	<u>\$ 318,753</u>	<u>\$ 3,563,753</u>	<u>\$ 1,386,524</u>	<u>\$ 303,105</u>	<u>\$ 1,689,629</u>

The debt service requirements to maturity schedule above does not include a provision for the Community Redevelopment Agency Note which is in the construction phase as of September 30, 2018. Repayment of the note will be determined when construction is complete.

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

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

Due to/from other funds:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Water & Sewer Fund	\$ 444,643
General Fund	Nonmajor Enterprise Fund	10,306
Capital Improvements Fund	Water & Sewer Fund	413,194
Sanitation Fund	Water & Sewer Fund	41,912
		<u>\$ 910,055</u>

These balances resulted from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS – CONTINUED**

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Water & Sewer Fund	\$ 160,430
General Fund	Sanitation Fund	25,822
General Fund	Community Redevelopment Fund	16,884
Capital Improvements Fund	General Fund	300,000
		\$ 503,136

**NOTE 8 – 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; natural disasters and pollution related activities. The City’s participation in the risk pool described below requires annual premium payments in return for transferring risks among pool participants. Settled claims from these risks have not exceeded the risk pool insurance limits nor have additional premiums been assessed relative to the past three years.

The City is a member of a purchasing cooperative of government agencies for the purpose of providing employee health benefits through Public Risk Management of Florida Group Health Trust. The City offers to its employees and covered dependents a choice of two medical plans, two dental plans, vision, life and long and short term disability insurance. Medical plans do not have a lifetime maximum per insured.

**NOTE 9 – PENSION PLAN**

Florida Retirement System:

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

## CITY OF CRYSTAL RIVER, FLORIDA

### NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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#### NOTE 9 – PENSION PLAN – CONTINUED

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

#### **Pension Plan**

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

**Benefits Provided** – Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

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

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

## CITY OF CRYSTAL RIVER, FLORIDA

### NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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#### NOTE 9 – PENSION PLAN – CONTINUED

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

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

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2017 through June 30, 2018, and from July 1, 2018 through September 30, 2018, respectively, were as follows: Regular–7.92% and 8.26%; Special Risk Administrative Support–34.63% and 34.98%; Special Risk–23.27% and 24.50%; Senior Management Service–22.71% and 24.06%; Elected Officers’–45.50% and 48.70%; and DROP participants–13.26% and 14.03%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods July 1, 2017 through June 30, 2018, and from July 1, 2018 through September 30, 2018.

The City’s contributions, including employee contributions, to the Pension Plan totaled \$144,979 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the City reported a liability of \$1,497,817 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City’s proportionate share of the net pension liability was based on the City’s 2017-2018 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was 0.004972746%, which was an increase of .0000085987% from its proportionate share measured as of June 30, 2017.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 – PENSION PLAN – CONTINUED**

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$326,907. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 126,888	\$ 4,605
Change of assumptions	489,414	-
Net difference between projected and actual earnings on Pension Plan investments	-	115,469
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	172,960	-
City Pension Plan contributions subsequent to the measurement date	35,927	-
Total	<u>\$ 825,189</u>	<u>\$ 120,074</u>

The deferred outflows of resources related to the Pension Plan, totaling \$35,927 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
September 30:	
2019	\$ 226,752
2020	165,733
2021	52,877
2022	121,915
2023	92,981
Thereafter	8,930



**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 – PENSION PLAN – CONTINUED**

Actuarial Assumptions – The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 – PENSION PLAN – CONTINUED**

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's proportionate share of the net pension liability	\$2,733,579	\$1,497,817	\$ 471,444

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

Payables to the Pension Plan – At September 30, 2018, the City reported a payable in the amount of \$0 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

**HIS Plan**

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

Benefits Provided – For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the HIS contribution for the period October 1, 2017 through September 30, 2018, was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 – PENSION PLAN – CONTINUED**

The City’s contributions to the HIS Plan totaled \$21,675 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2018, the City reported a liability of \$424,013 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City’s proportionate share of the net pension liability was based on the City’s 2017-2018 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was 0.004006128% which was a decrease of .00004552% from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$48,540. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,491	\$ 720
Change of assumptions	47,155	44,830
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	79,406	7,855
City HIS Plan contributions subsequent to the measurement date	4,965	-
Total	\$ 138,017	\$ 53,405

The deferred outflows of resources related to the HIS Plan, totaling \$4,965 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending	Amount
September 30:	
2019	\$ 20,144
2020	20,122
2021	18,382
2022	15,225
2023	8,634
Thereafter	(2,860)

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 – PENSION PLAN – CONTINUED**

Actuarial Assumptions – The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.87%

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
City's proportionate share of the net pension liability	\$ 482,926	\$ 424,013	\$ 374,906

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

Payables to the Pension Plan – At September 30, 2018, the City reported a payable in the amount of \$0 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

# CITY OF CRYSTAL RIVER, FLORIDA

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

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### NOTE 9 – PENSION PLAN – CONTINUED

#### **Investment Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-2017 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS**

A. Plan Description

The City maintains a single employer defined benefit other post-employment benefit plan in accordance with Florida Statutes. The City of Crystal River Other Post-employment Benefits Plan (the “OPEB Plan”), includes retirees from the City. The City offers post-employment benefits other than pension benefits for healthcare insurance for eligible retirees and spouse through the City’s group health insurance plan, which covers both active and retired members. The OPEB Plan does not issue a publicly available financial report.

B. Plan Membership

Membership of the OPEB Plan consisted of the following at September 30, 2018, the date of the latest actuarial valuation:

Inactive employees and beneficiaries, receiving benefits	10
Active employees	23
	<u>33</u>

C. Contributions

The City has elected to fund the OPEB Plan on a “pay as you go” basis. Plan members, once retired, contribute to the plan based on number of years of creditable service. The City is required to contribute the current year benefit costs of the OPEB Plan which are not paid by the retiree. For the year ended September 30, 2018, the City contributed \$9,400 for the pay as you go benefits of the OPEB Plan.

D. Total OPEB Liability of the City

Effective October 1, 2017, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, which significantly changed the City’s accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The City’s total OPEB liability was measured as of September 30, 2017, and was determined by an actuarial valuation as of September 30, 2016, with the actuary using standard techniques to roll forward the liability to the measurement date.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

D. Total OPEB Liability of the City (Continued)

Actuarial Assumptions: The total OPEB liability in the September 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate:	2.80%
Salary increases:	3.00%
Cost of living adjustments:	In accordance with healthcare cost trend rates
Healthcare cost trend rate:	8.00% - 5.00%, Ultimate trend in 2023
Participation rate:	75% single coverage and 25% single and spouse coverage

Mortality rates were based on the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB.

The actuarial assumptions used in the September 30, 2017, valuation were based on the results of an actuarial experience study for the period 2008-2012.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 2.80%. This rate was determined using the 20 year municipal bond index as provided by the Asset Consulting Group.

F. Changes in the Total OPEB Liability of the City

The changes in the total OPEB liability of the City for the year ended September 30, 2018, were as follows:

	<b>Total OPEB Liability</b>
<b>Balances at 9/30/17</b>	\$ 274,065
<b>Changes for the year:</b>	
Service cost	18,904
Interest	8,072
Benefit payments	(9,400)
Net changes	17,576
<b>Balance at 9/30/18</b>	<b>\$ 291,641</b>

The required schedule of changes in the City’s total OPEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

**G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.80%) or 1-percentage point higher (3.80%) than the current discount rate:

	1% Decrease (1.80%)	Discount Rate 2.80%	1% Increase (3.80%)
Total OPEB liability	\$ 321,337	\$ 291,641	\$ 266,587

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial accrued liability.

**H. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (7% decreasing to 4%) or 1-percentage point higher (9% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease (7% decreasing to 4%)	Discount Rate (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Total OPEB liability	\$ 278,758	\$ 291,641	\$ 306,167

**I. OPEB Expense and Deferred Outflows of Resources Related to OPEB**

For the year ended September 30, 2018, the City recognized OPEB expense of \$17,576. At September 30, 2018, the City reported deferred outflows of resources for contributions subsequent to the City’s measurement date in the amount of \$9,870. This amount will be recognized as a reduction of the total OPEB liability in the fiscal year ended September 30, 2019.



**CITY OF CRYSTAL RIVER, FLORIDA**

**NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

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**NOTE 11 – UTILITY OPERATING CONTRACT**

The City contracts with a private company to operate the City’s water and sewer facilities. The company is responsible for operating and maintenance expenses of the facilities, including operation personnel. The City is responsible for the: (1) capital expenses, (2) debt service, (3) maintenance and repairs in excess of approximately \$100,000 annually, and (4) maintaining property damage insurance on the facilities and equipment.

The contract is cancelable by either party. During the year ended September 30, 2018, the monthly fee was \$105,920. Annual fees are negotiable annually on or before December 1. Failure to agree upon an annual fee will be resolved by application of a formula based upon the most current annual fee adjusted for the Consumer Price Index.

**NOTE 12 – POLICE CONTRACT WITH CITRUS COUNTY SHERIFF’S OFFICE**

In 2008, The City Council dissolved the police department and entered into a contract with the Citrus County Sheriff’s Office to provide public safety services. Substantially all police assets were transferred to the Sheriff’s Office. The contract with the Sheriff’s Office expires on September 30 of each year, subject to automatic renewal on an annual basis, provided no action is taken to terminate the contract. The City paid \$862,044 during the year ended September 30, 2018.

**NOTE 13 – CONSTRUCTION COMMITMENTS**

The City has active construction commitments on various projects in the amount of \$387,305 as of September 30, 2018.

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

The City determined that a restatement to beginning net position of the governmental activities was required to recognize the change in accounting principle for the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, as of October 1, 2017. This restatement is as follows:

Net position, as previously reported	\$ 20,841,546
Adjustment needed to properly reflect the adoption of GASB 75	(136,665)
Net position, as restated	<u>\$ 20,704,881</u>

**NOTE 15 – SUBSEQUENT EVENTS**

The City has evaluated all subsequent events through April 19, 2019, the date the financial statements were available to be issued. No material subsequent events occurred which would have a material impact on the City’s financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF CRYSTAL RIVER, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

Reporting period ending	<b>9/30/2018</b>	<b>9/30/2017</b>	<b>9/30/2016</b>	<b>9/30/2015</b>
Measurement date	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2015</b>
City's proportion of the FRS net pension liability	0.004972746%	0.004886759%	0.004517327%	0.004048011%
City's proportionate share of the FRS net pension liability	\$ 1,497,817	\$ 1,445,967	\$ 1,140,629	\$ 522,855
City's covered payroll	\$ 1,308,467	\$ 1,233,491	\$ 1,146,105	\$ 966,759
City's proportionate share of the pension liability as a percentage of its covered payroll	114.47%	117.23%	99.52%	54.08%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%
Reporting period ending	<b>9/30/2014</b>			
Measurement date	<b>6/30/2014</b>			
City's proportion of the FRS net pension liability	0.003132361%			
City's proportionate share of the FRS net pension liability	\$ 191,120			
City's covered payroll	\$ 919,962			
City's proportionate share of the pension liability as a percentage of its covered payroll	20.77%			
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.09%			

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

**CITY OF CRYSTAL RIVER, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF CONTRIBUTIONS**  
**FLORIDA RETIREMENT SYSTEM PENSION PLAN**

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Reporting period ending	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Contractually required FRS contribution	\$ 144,979	\$ 127,214	\$ 110,162	\$ 98,694	\$ 68,612
FRS contributions in relation to the contractually required FRS contribution	<u>144,979</u>	<u>127,214</u>	<u>110,162</u>	<u>98,694</u>	<u>68,612</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,305,426	\$ 1,308,467	\$ 1,233,491	\$ 1,146,105	\$ 966,759
FRS contributions as a percentage of covered payroll	11.11%	9.72%	8.93%	8.61%	7.10%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

**CITY OF CRYSTAL RIVER, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
HEALTH INSURANCE SUBSIDY PENSION PLAN**

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Reporting period ending	<b>9/30/2018</b>	<b>9/30/2017</b>	<b>9/30/2016</b>	<b>9/30/2015</b>
Measurement date	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2016</b>	<b>6/30/2015</b>
City's proportion of the HIS net pension liability	0.004006128%	0.004051647%	0.003772839%	0.003027934%
City's proportionate share of the HIS net pension liability	\$ 424,013	\$ 433,221	\$ 439,710	\$ 308,802
City's covered payroll	\$ 1,308,467	\$ 1,233,491	\$ 1,146,105	\$ 966,759
City's proportionate share of the pension liability as a percentage of its covered payroll	32.41%	35.12%	38.37%	31.94%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	1.22%
Reporting period ending	<b>9/30/2014</b>			
Measurement date	<b>6/30/2014</b>			
City's proportion of the HIS net pension liability	0.002559239%			
City's proportionate share of the HIS net pension liability	\$ 239,295			
City's covered payroll	\$ 919,962			
City's proportionate share of the pension liability as a percentage of its covered payroll	26.01%			
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	1.06%			

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

**CITY OF CRYSTAL RIVER, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF CONTRIBUTIONS**  
**HEALTH INSURANCE SUBSIDY PENSION PLAN**

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Reporting period ending	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Contractually required					
HIS contribution	\$ 21,675	\$ 21,442	\$ 19,338	\$ 11,575	\$ 8,767
HIS contributions in relation to the contractually required HIS contribution	<u>21,675</u>	<u>21,442</u>	<u>19,338</u>	<u>11,575</u>	<u>8,767</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,305,426	\$ 1,308,467	\$ 1,233,491	\$ 1,146,105	\$ 966,759
HIS contributions as a percentage of covered payroll	1.66%	1.64%	1.57%	1.01%	0.91%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.



**CITY OF CRYSTAL RIVER, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**

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**SCHEDULE OF THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30,**

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	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 18,904
Interest	8,072
Benefit payments	(9,400)
<b>Net change in total OPEB liability</b>	17,576
<b>Total OPEB liability - beginning</b>	274,065
<b>Total OPEB liability - ending</b>	\$ 291,641
<b>Covered-employee payroll</b>	\$ 951,649
<b>Total OPEB liability as a percentage of covered employee payroll</b>	30.6%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

The City is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

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## CITY OF CRYSTAL RIVER, FLORIDA

### NONMAJOR GOVERNMENTAL FUNDS

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Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Public Safety Expansion** is used to account for resources received from impact funds for the support of public safety expenditures.

**Buy a Brick** is used to account for resources restricted to improve the downtown streets.

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**CITY OF CRYSTAL RIVER, FLORIDA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	<u>Special Revenue Funds</u>		<b>Total Nonmajor Governmental Funds</b>
	<u>Public Safety Expansion</u>	<u>Buy A Brick</u>	
<b>Assets</b>			
Cash and cash equivalents	\$ 20,363	\$ 5,606	\$ 25,969
Accounts receivable, net	156	-	156
<b>Total assets</b>	<u>\$ 20,519</u>	<u>\$ 5,606</u>	<u>\$ 26,125</u>
<b>Fund balances</b>			
Fund balances			
Restricted			
Community development	\$ -	\$ 5,606	\$ 5,606
Public safety	20,519	-	20,519
<b>Total fund balances</b>	<u>\$ 20,519</u>	<u>\$ 5,606</u>	<u>\$ 26,125</u>

**CITY OF CRYSTAL RIVER, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Special Revenue Funds</u>		<b>Total Nonmajor Governmental Funds</b>
	<u>Public Safety Expansion</u>	<u>Buy A Brick</u>	
<b>Revenues</b>			
Impact fees	\$ 1,312	\$ -	\$ 1,312
Miscellaneous	100	-	100
Income on investments	-	20	20
Total revenues	<u>1,412</u>	<u>20</u>	<u>1,432</u>
<b>Expenditures</b>			
Current			
General government	-	20	20
Total expenditures	<u>-</u>	<u>20</u>	<u>20</u>
Net change in fund balance	1,412	-	1,412
Fund balances, beginning	<u>19,107</u>	<u>5,606</u>	<u>24,713</u>
Fund balances, ending	<u>\$ 20,519</u>	<u>\$ 5,606</u>	<u>\$ 26,125</u>

## **OTHER REPORTS**

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

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Honorable Mayor and Members of  
the City Commission,  
City of Crystal River, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crystal River, Florida (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 19, 2019. The City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, as of October 1, 2017. Our opinions were not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

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**Compliance and Other Matters**

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

**Purpose of this Report**

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



Bradenton, Florida  
April 19, 2019

CITY OF CRYSTAL RIVER, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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SECTION I  
SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	___ yes <u>X</u> no
Significant deficiencies identified not considered to be material weaknesses?	___ yes <u>X</u> no
Noncompliance material to financial statements noted?	___ yes <u>X</u> no

**Federal Awards and State Financial Assistance Projects**

Federal and state single audits were not required as the City did not expend great than \$750,000 of federal or state funds during its fiscal year ended September 30, 2018.

SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None noted.

SECTION III  
STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None noted.

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.

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## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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Honorable Mayor and Members of  
the City Council,  
City of Crystal River, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the City of Crystal River, Florida (the "City"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated April 19, 2019.

### **Auditor's Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent 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*; Schedule of Findings and Responses; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 19, 2019, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. No audit findings were noted in the City's preceding financial audit report.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Crystal River, Florida was incorporated in 1903. Additional information on the City's creation and the City's component units is disclosed within the City's footnotes.

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### **Financial Condition and Management**

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

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

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

### **Special District Component Units**

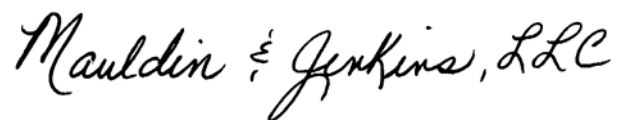
Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires, if appropriate, to communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

### **Additional Matters**

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

### **Purpose of this Letter**

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



Bradenton, Florida  
April 19 2019



## INDEPENDENT ACCOUNTANT'S REPORT

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Honorable Mayor and Members of  
the City Council,  
City of Crystal River, Florida

We have examined the City of Crystal River, Florida's (the "City") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.<sup>1</sup>

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
April 19, 2019

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