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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

CITY OF CRESTVIEW, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

CITY OF CRESTVIEW, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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CITY OF CRESTVIEW, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the General Fund of the City of Crestview, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crestview, Florida, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5-17 and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.



Fort Walton Beach, Florida
June 17, 2021

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**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

As management of the City of Crestview, we offer readers of the City of Crestview's financial statements this narrative overview and analysis of the financial activities of the City of Crestview for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City of Crestview exceeded its liabilities by approximately \$60 million (net position) and represents an increase of approximately \$7 million in net position from the prior year. Of this amount, approximately \$36 million represents the net investment in capital assets (e.g. land, infrastructure, building, machinery and equipment), \$1.9 million is restricted for future obligations, and \$22.3 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The governmental net position increased by approximately \$6.4 million from the prior year.
- The net position of the business-type activities of the City increased by approximately \$991,000 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16.5 million, or 60% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

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

Both of the government-wide financial statements distinguish functions of the City of Crestview that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Crestview include general government (city clerk, city council, mayor, finance, service maintenance and non-departmental expenses), public safety (police and fire), public works (administration and engineering), transportation (streets and right-of-way), culture and recreation (parks and library) and debt service interest. The business-type activities of the City of Crestview include utilities (water and sewer) and sanitation. The government-wide financial statements are found on pages 19-20 of this report.

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

FUNDS

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide 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.

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Utilities Fund and Sanitation Fund are both considered major proprietary funds. The proprietary fund financial statements are found on pages 26-29 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Crestview's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements are found on pages 30-31 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. On page 33 of this report is the beginning of the notes to the financial statements.

OTHER INFORMATION

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the notes to the financial statements. The combining and individual fund statements and schedules are found on pages 86-87 of this report.

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

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 Crestview, assets exceeded liabilities by \$60 million (net position) at September 30, 2020 as reported in Table 1.

**TABLE 1
CITY OF CRESTVIEW, FLORIDA
NET POSITION
AS OF SEPTEMBER 30, 2020 AND 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Total assets, excluding capital assets	\$ 31,019,836	\$ 14,868,269	\$ 9,870,445	\$ 9,765,668	\$ 40,890,281	\$ 24,633,937
Capital assets, net of depreciation	28,083,250	18,426,145	40,874,459	40,732,325	68,957,709	59,158,470
Total assets	59,103,086	33,294,414	50,744,904	50,497,993	109,847,990	83,792,407
Deferred outflows of resources	2,249,771	2,696,045	1,232,752	1,382,048	3,482,523	4,078,093
Total assets and deferred outflows	\$ 61,352,857	\$ 35,990,459	\$ 51,977,656	\$ 51,880,041	\$ 113,330,513	\$ 87,870,500
Total liabilities, excluding long-term liabilities	\$ 10,458,085	\$ 1,180,085	\$ 1,804,448	\$ 1,649,042	\$ 12,262,533	\$ 2,829,127
Long-term liabilities	18,039,334	7,950,301	20,958,246	21,932,953	38,997,580	29,883,254
Total liabilities	28,497,419	9,130,386	22,762,694	23,581,995	51,260,113	32,712,381
Deferred inflows of resources	1,394,774	1,768,669	241,167	314,941	1,635,941	2,083,610
Net position:						
Net investment in capital assets	14,871,971	14,956,797	21,405,074	20,337,876	36,277,045	35,294,673
Restricted	367,412	367,926	1,506,789	892,633	1,874,201	1,260,559
Unrestricted	16,221,281	9,766,681	6,061,932	6,752,596	22,283,213	16,519,277
Total net position	31,460,664	25,091,404	28,973,795	27,983,105	60,434,459	53,074,509
Total liabilities, deferred inflows and net position	\$ 61,352,857	\$ 35,990,459	\$ 51,977,656	\$ 51,880,041	\$ 113,330,513	\$ 87,870,500

By far the largest portion of the City of Crestview's net position, approximately \$36 million (or 60%), represent the investment in capital assets (e.g. land, infrastructure, building, machinery and equipment).

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

An additional portion of the City of Crestview's net position, approximately \$1.9 million (or 3%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$22.3 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The overall increase in the City's net position was \$7 million during FY 2020.

Governmental Activities - Governmental activities increased the City of Crestview's net position by \$6.37 million and business-type activities increased the City's net position by \$990,690. Reported in Table 2 are the key elements of these changes.

**TABLE 2
CITY OF CRESTVIEW, FLORIDA
CHANGE IN NET POSITION
AS OF SEPTEMBER 30, 2020 AND 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 3,103,747	\$ 3,154,441	\$ 11,946,762	\$ 11,477,422	\$ 15,050,509	\$ 14,631,863
Operating grants and contributions	-	61,504	-	-	-	61,504
General revenues:						
Property taxes	8,266,520	7,638,627	-	-	8,266,520	7,638,627
Other taxes	8,820,434	8,168,086	237,308	220,759	9,057,742	8,388,845
Other revenues	5,583,432	1,478,205	212,576	40,727	5,796,008	1,518,932
Total revenues	<u>25,774,133</u>	<u>20,500,863</u>	<u>12,396,646</u>	<u>11,738,908</u>	<u>38,170,779</u>	<u>32,239,771</u>
Expenses:						
General government	5,537,959	5,671,269	-	-	5,537,959	5,671,269
Public safety	10,152,718	9,634,327	-	-	10,152,718	9,634,327
Transportation	1,725,466	1,688,582	-	-	1,725,466	1,688,582
Culture and recreation	1,796,051	1,430,475	-	-	1,796,051	1,430,475
Interest on long-term debt	118,649	130,101	-	-	118,649	130,101
Utilities fund	-	-	7,563,268	7,993,542	7,563,268	7,993,542
Sanitation fund	-	-	3,916,718	3,624,802	3,916,718	3,624,802
Total expenses	<u>19,330,843</u>	<u>18,554,754</u>	<u>11,479,986</u>	<u>11,618,344</u>	<u>30,810,829</u>	<u>30,173,098</u>
Increase (decrease) in net assets before transfers	6,443,290	1,946,109	916,660	120,564	7,359,950	2,066,673
Transfers	(74,030)	(81,415)	74,030	81,415	-	-
Increase (decrease) in net assets	<u>\$ 6,369,260</u>	<u>\$ 1,864,694</u>	<u>\$ 990,690</u>	<u>\$ 201,979</u>	<u>\$ 7,359,950</u>	<u>\$ 2,066,673</u>

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

Financial Impacts

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

Revenues

- Economic Condition - This can reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, gas or other tax revenue.
- Council Approved Rate Adjustments - While certain tax rates are set by statute, the City Council has significant authority to impose and periodically adjust rates (water, wastewater, sanitation, impact fees, recreation user fees, etc.).
- Changing Patterns in Intergovernmental Grant Revenue (both recurring and non-recurring) – Certain recurring revenues (state revenue sharing and community development grants) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.
- Market Impacts on Investment Income - The current market conditions have little influence on the City's investment income since the majority of the City's non-pension investments consist of certificates of deposit and deposits with the State Board of Administration.

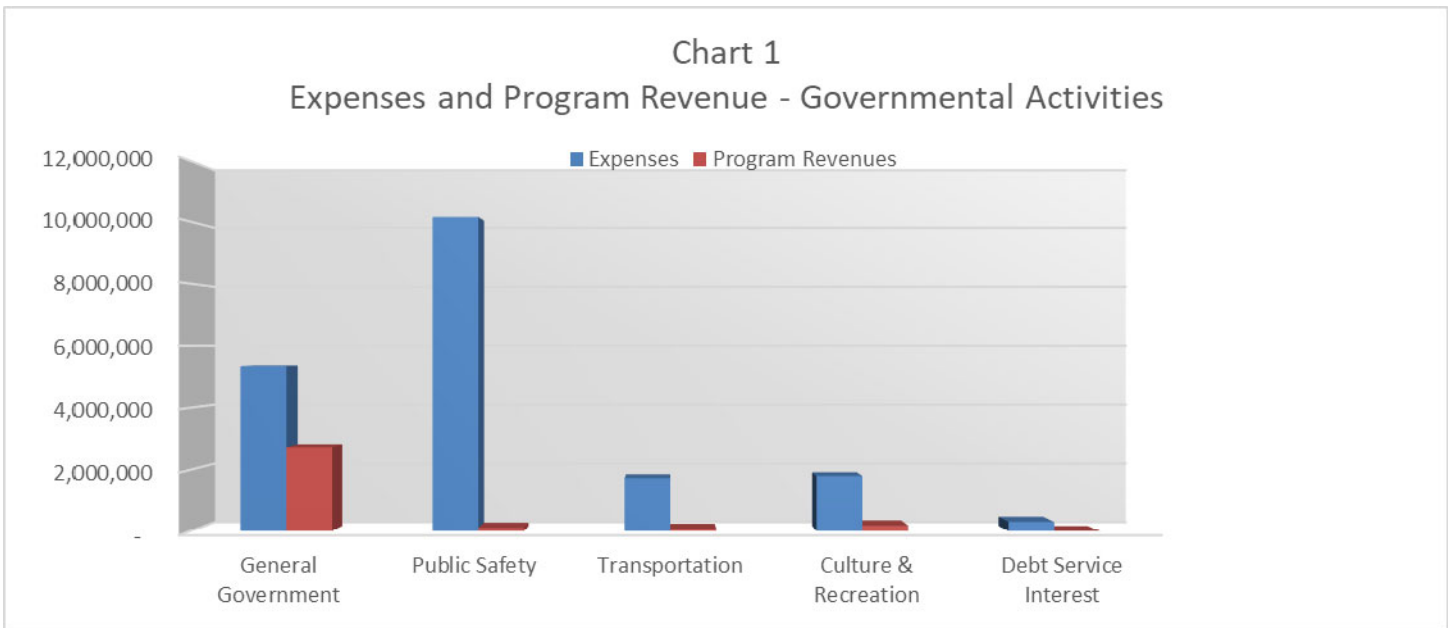
Expenses

- Introduction of New Programs - Within functional expense categories, (police, fire, public works, community development, parks and recreation, etc.) individual programs may be added or deleted to meet changing community needs.
- Authorized Position Adjustments - Changes in service demand may cause the City Council to change authorized staffing. Staffing costs (salary and related benefits) represent approximately 51% of the City's operating costs.
- Salary Adjustments - The ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace.
- Inflation - While overall inflation appears to be reasonably modest, the City is a major consumer of certain commodities such as paper, chemicals, supplies, fuel, oil, and parts. Some fluctuations may experience commodity specific increases.

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

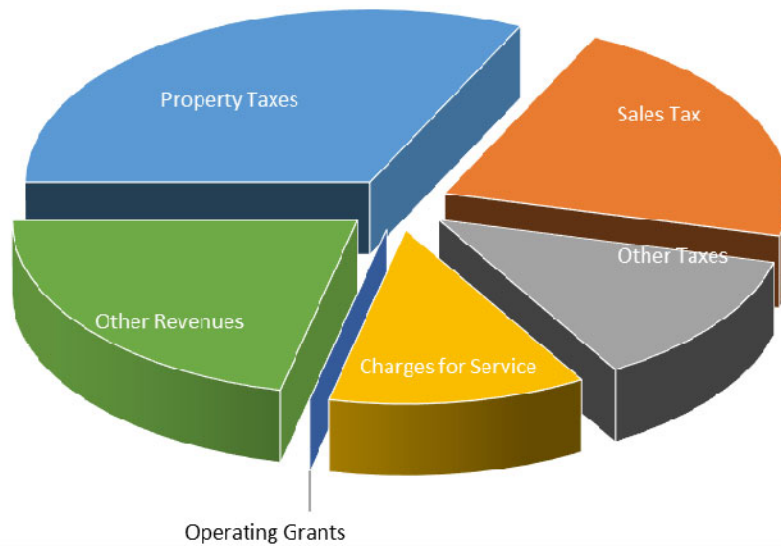
Current Year Impacts - Governmental Activities

- Net position increased by approximately \$2 million in the prior year and increased approximately \$6.4 million in the current year. Total revenues in the governmental activities increased by approximately \$5.3 million and expenditures increased approximately \$776,000.
- Property taxes increased by \$627,893 (or 8%).
- Sales and fuel taxes increased \$584,897 (or 12%) due to the current economic conditions.
- Intergovernmental activities increased \$4,100,217 (or 323%).



**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

Chart 2
Revenues by Source - Governmental Activities



Business-Type Activities

The net position from business-type activities increased by approximately \$991,000 (or 4%).

- Charges for services for business-type activities increased by approximately \$469,000.
- Total operating expenses decreased by approximately \$138,000.

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

Chart 3
Expense and Program Revenue - Business-Type Activities

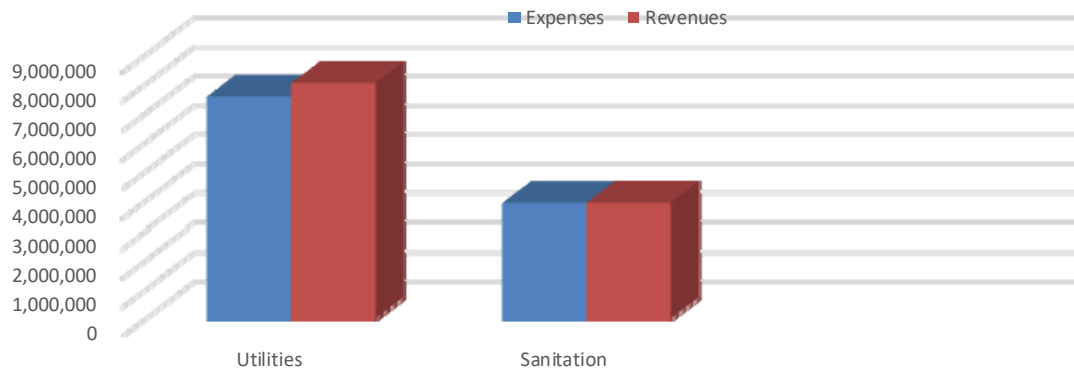
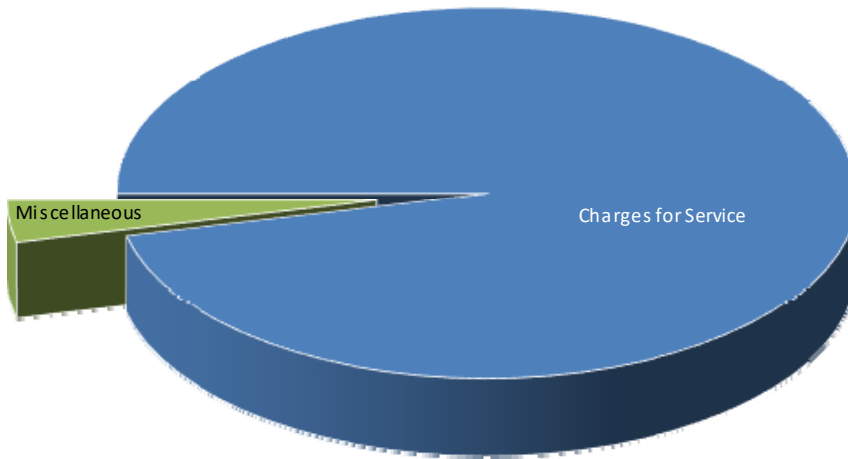


Chart 4
Revenues by Source - Business-Type Activities



**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City of Crestview's governmental funds reported combined ending fund balance of \$20,427,639, an increase of \$7 million in comparison with the prior year. Approximately 80% of this total amount (\$16.3 million) constitutes unassigned fund balance in the General Fund, which is available for spending at the City Council's discretion. Amounts that will benefit future periods (prepaid expenses) total \$210,650. Additionally, other amounts are reserved via restrictions from outside donors. The remainder of fund balance is not available for general spending because it has already been assigned by the City (\$3,529,742).

The General Fund is the chief operating fund of the City of Crestview. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16.3 million, while total fund balance reached \$18.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 59% of the total General Fund expenditures, while total fund balance represents 66% of that same amount.

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

Unrestricted net position of the proprietary funds totaled \$6 million at the end of the year; of that the Utilities Fund amounted to \$3.2 million, and the Sanitation Fund totaled \$2.9 million. The net position for this fiscal year in the proprietary funds increased by approximately \$991,000. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Crestview's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City's budget was amended to reflect a donation from a local organization to purchase park amenities at the new environmental center.

Revenues for the year were more than budgeted by approximately \$5.46 million. Expenditures were more than budgeted amounts by approximately \$7.3 million. In the current fiscal year, several purchases arose, some of which were significant, but were not budgeted. These expenditures were funded by the \$10 million bond issued during the current fiscal year. These expenditures were presented to and approved by City Council.

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Crestview's investments in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$113.3 million (\$69 million net of accumulated depreciation). This investment in capital assets includes land, buildings, water, wastewater and drainage systems improvements, machinery and equipment, park facilities, roads, and highways, etc. The total increase in the City of Crestview's gross capital assets for the current fiscal year were \$12.6 million or 12% overall, and is summarized as follows:

- Improvements/CIP to buildings and highways and streets (\$8.2 million) and water and sewer system (\$1.4 million).
- Purchases of equipment and vehicles for the police, fire, streets, permitting (\$1,097,700) and utility departments (\$228,244).

**TABLE 3
CITY OF CRESTVIEW CAPITAL ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,325,326	\$ 1,995,068	\$ 2,216,319	\$ 2,216,319	\$ 4,541,645	\$ 4,211,387
Construction in progress	8,048,026	156,318	4,527,768	3,160,192	12,575,794	3,316,510
Buildings	8,394,828	8,145,784	8,954,298	8,954,298	17,349,126	17,100,082
Improvements	7,766,805	7,372,025	3,513,032	3,513,032	11,279,837	10,885,057
Infrastructure	15,071,839	14,061,026	35,738,177	35,738,177	50,810,016	49,799,203
Machinery and equipment	8,842,403	7,753,692	6,884,367	6,656,123	15,726,770	14,409,815
Capital lease equipment	977,838	977,838	-	-	977,838	977,838
Total prior to depreciation	51,427,065	40,461,751	61,833,961	60,238,141	113,261,026	100,699,892
Less accumulation depreciation	23,343,815	22,035,606	20,959,502	19,505,816	44,303,317	41,541,422
Total	<u>\$ 28,083,250</u>	<u>\$ 18,426,145</u>	<u>\$ 40,874,459</u>	<u>\$ 40,732,325</u>	<u>\$ 68,957,709</u>	<u>\$ 59,158,470</u>

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

Long-term Debt

At the end of the current fiscal year, the City of Crestview had total long-term debt outstanding of \$34 million. The City of Crestview's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), state revolving loans, and capital leases. The State of Florida does not place a legal limit of debt on municipalities. For general obligation debts, greater than one year, the City is required to conduct a voter referendum process for approval of this type of debt. The City has no general obligation debts greater than one year as of September 30, 2020.

**TABLE 4
CITY OF CRESTVIEW OUTSTANDING DEBT
REVENUE BONDS, NOTES PAYABLE AND CAPITAL LEASES**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Notes payable	\$ -	\$ -	\$ 9,262,411	\$ 9,987,389	\$ 9,262,411	\$ 9,987,389
Capital leases	692,472	916,956	-	432,381	692,472	1,349,337
Revenue bonds	12,904,978	2,753,840	11,052,313	10,876,915	23,957,291	13,630,755
Total	\$ 13,597,450	\$ 3,670,796	\$ 20,314,724	\$ 21,296,685	\$ 33,912,174	\$ 24,967,481

Net of deferred outflows related to losses on bond refunding, total long-term debt decreased by approximately \$8.9 million during the 2020 fiscal year. Additional information on the City of Crestview's long-term debt can be found in Notes 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

**CITY OF CRESTVIEW, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020
(UNAUDITED)**

The military has a significant presence in our community with Duke Field, Eglin Air Force Base and Hurlburt Special Operations, employing military and civilian personnel. These installations are essential to the continued long-term economic vitality of this area. Eglin Air Force Base is the world's largest Department of Defense installation, spanning 724 square miles. Defense contractor companies are established throughout the Northwest Florida region.

The City is undertaking several processes to assist in future planning by creating a multi-year capital improvement program. Another factor that is being looked at is a replacement program for capital equipment such as vehicles, computers, etc.

REQUEST FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 22,818,411	\$ 5,707,602	\$ 28,526,013
Investments	709,952	99,367	809,319
Accounts receivable, net	450,722	1,319,924	1,770,646
Due from the State of Florida	4,930,048	-	4,930,048
Restricted assets:			
Cash and cash equivalents	1,513,882	2,417,264	3,931,146
Investments	-	259,421	259,421
Prepaid expenses	210,650	66,867	277,517
Capital assets:			
Assets not being depreciated	10,373,352	6,744,087	17,117,439
Assets being depreciated, net	17,709,898	34,130,372	51,840,270
Intangible assets, net	386,171	-	386,171
Total Assets	59,103,086	50,744,904	109,847,990
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	-	845,339	845,339
Other postemployment benefits	85,422	14,908	100,330
Pensions	2,164,349	372,505	2,536,854
Total deferred outflows of resources	2,249,771	1,232,752	3,482,523
Total Assets and Deferred Outflows	\$ 61,352,857	\$ 51,977,656	\$ 113,330,513
LIABILITIES			
Accounts payable	\$ 1,079,227	\$ 595,652	\$ 1,674,879
Accrued liabilities	458,559	38,900	497,459
Unearned revenue	102,983	-	102,983
Due to other governments	8,492,959	-	8,492,959
Payable from restricted assets			
Accrued interest	6,892	82,489	89,381
Customer deposits	4,726	886,589	891,315
Notes payable	-	162,995	162,995
Revenue bonds payable	312,739	37,823	350,562
Non-current liabilities			
Due within one year			
Compensated absences	60,680	901	61,581
Notes payable	-	580,642	580,642
Capital leases	235,987	-	235,987
Revenue bonds payable	740,042	304,396	1,044,438
Due in more than one year			
Compensated absences	874,011	171,237	1,045,248
Notes payable	-	8,518,774	8,518,774
Capital leases	456,485	-	456,485
Revenue bonds payable	11,852,197	10,710,094	22,562,291
Net pension liability	2,577,230	443,566	3,020,796
Net OPEB obligation	1,242,702	228,636	1,471,338
Total Liabilities	28,497,419	22,762,694	51,260,113
DEFERRED INFLOWS OF RESOURCES			
Other postemployment benefits	129,388	23,381	152,769
Pensions	1,265,386	217,786	1,483,172
Total deferred inflows of resources	1,394,774	241,167	1,635,941
NET POSITION			
Net investment in capital assets	14,871,971	21,405,074	36,277,045
Restricted for:			
Nonexpendable	54,219	-	54,219
Impact fees	-	1,144,381	1,144,381
Debt service and other debt requirements	313,193	362,408	675,601
Unrestricted	16,221,281	6,061,932	22,283,213
Total Net Position	31,460,664	28,973,795	60,434,459
Total Liabilities, Deferred Inflows and Net Position	\$ 61,352,857	\$ 51,977,656	\$ 113,330,513

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

**CITY OF CRESTVIEW, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services	Governmental Activities	Business-Type Activities	Total
Functions:							
Governmental:							
General government	\$ 5,537,959	\$ -	\$ -	\$ 2,720,125	\$ (2,817,834)		\$ (2,817,834)
Public safety	10,152,718	-	-	113,257	(10,039,461)		(10,039,461)
Transportation	1,725,466	-	-	76,851	(1,648,615)		(1,648,615)
Culture and recreation	1,796,051	-	-	193,514	(1,602,537)		(1,602,537)
Interest	118,649	-	-	-	(118,649)		(118,649)
	<u>19,330,843</u>	<u>-</u>	<u>-</u>	<u>3,103,747</u>	<u>(16,227,096)</u>		<u>(16,227,096)</u>
Business-type:							
Utilities service	7,563,268	-	-	8,025,421		\$ 462,153	462,153
Sanitation service	3,916,718	-	-	3,921,341		4,623	4,623
	<u>11,479,986</u>	<u>-</u>	<u>-</u>	<u>11,946,762</u>		<u>466,776</u>	<u>466,776</u>
Total	<u>\$ 30,810,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,050,509</u>	<u>(16,227,096)</u>	<u>466,776</u>	<u>(15,760,320)</u>
General Revenues:							
Taxes:							
Property taxes					8,266,520	-	8,266,520
Local sales taxes					5,595,010	-	5,595,010
Utility service/franchise fees					3,225,424	237,308	3,462,732
Intergovernmental, unrestricted					1,114,154	-	1,114,154
Intergovernmental, restricted					4,255,764	-	4,255,764
Unrestricted investment earnings					35,857	11,918	47,775
Miscellaneous revenue					177,657	200,658	378,315
Transfers					(74,030)	74,030	-
Total general revenues					<u>22,596,356</u>	<u>523,914</u>	<u>23,120,270</u>
Change in net position					6,369,260	990,690	7,359,950
Net position - beginning of year					25,091,404	27,983,105	53,074,509
Net position - end of year					<u>\$ 31,460,664</u>	<u>\$ 28,973,795</u>	<u>\$ 60,434,459</u>

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

CITY OF CRESTVIEW, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 20,565,143	\$ 2,253,268	\$ 22,818,411
Cash and cash equivalents - restricted	1,489,987	23,895	1,513,882
Investments	657,353	52,599	709,952
Accounts receivable - other	450,722	-	450,722
Due from other governments	4,930,048	-	4,930,048
Prepaid expenses	210,650	-	210,650
Total Assets	\$ 28,303,903	\$ 2,329,762	\$ 30,633,665

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

LIABILITIES			
Accounts payable	\$ 945,006	\$ 134,221	\$ 1,079,227
Accrued liabilities	252,409	15,133	267,542
Customer deposits	4,726	-	4,726
Due to other governments	8,492,959	-	8,492,959
Unearned revenue	102,983	-	102,983
Compensated absences	60,680	-	60,680
Total liabilities	<u>9,858,763</u>	<u>149,354</u>	<u>10,008,117</u>

FUND BALANCES			
Nonspendable:			
Prepaid expenditures	210,650	-	210,650
Permanent fund	-	54,219	54,219
Restricted	-	313,193	313,193
Assigned	1,716,746	1,812,996	3,529,742
Unassigned	16,517,744	-	16,517,744
Total fund balances	<u>18,445,140</u>	<u>2,180,408</u>	<u>20,625,548</u>
Total Liabilities and Fund Balances	\$ 28,303,903	\$ 2,329,762	\$ 30,633,665

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

**CITY OF CRESTVIEW, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

Total Fund Balances - Governmental Funds \$ 20,625,548

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

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

Governmental non-depreciable assets	10,373,352	
Governmental depreciable assets	41,053,713	
Governmental intangible assets, net	386,171	
Less accumulated depreciation	<u>(23,343,815)</u>	28,469,421

Net pension liabilities are other long-term liabilities that are not payable in the current period and therefore are not reported in the governmental funds (2,577,230)

Deferred outflows related to pensions are not financial resources and therefore are not reported in the governmental funds 2,164,349

Deferred inflows related to pensions are not financial resources and therefore are not reported in the governmental funds (1,265,386)

Deferred outflows related to other postemployment benefits are not financial resources and therefore are not reported in the governmental funds 85,422

Deferred inflows related to other postemployment benefits are not financial resources and therefore are not reported in the governmental funds (129,388)

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

Accrued interest payable	(197,909)	
Revenue bonds payable	(12,904,978)	
Capital leases	(692,472)	
Compensated absences	(874,011)	
Net OPEB obligation	<u>(1,242,702)</u>	<u>(15,912,072)</u>

Total Net Position - Governmental Activities \$ 31,460,664

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

CITY OF CRESTVIEW, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 16,960,606	\$ 126,348	\$ 17,086,954
License and permits	1,528,258	848,963	2,377,221
Intergovernmental, unrestricted	1,114,154	-	1,114,154
Intergovernmental, restricted	4,255,764	-	4,255,764
Charges for services	645,322	-	645,322
Fines and forfeitures	81,204	-	81,204
Investment earnings	28,793	7,064	35,857
Miscellaneous	174,157	3,500	177,657
Total revenues	<u>24,788,258</u>	<u>985,875</u>	<u>25,774,133</u>
Expenditures:			
Current:			
General government	4,221,428	598,178	4,819,606
Public safety	9,455,996	2,995	9,458,991
Transportation	1,239,464	-	1,239,464
Culture and recreation	1,339,612	230,000	1,569,612
Capital outlay	10,965,592	294,157	11,259,749
Debt service:			
Principal	224,484	195,000	419,484
Interest	28,743	92,126	120,869
Total expenditures	<u>27,475,319</u>	<u>1,412,456</u>	<u>28,887,775</u>
Deficiency of revenues under expenditures	<u>(2,687,061)</u>	<u>(426,581)</u>	<u>(3,113,642)</u>
Other Financing Sources (Uses):			
Transfers in	-	1,022,363	1,022,363
Transfers out	(1,043,438)	(52,955)	(1,096,393)
Issuance of revenue bonds	10,348,358	-	10,348,358
Total other financing sources (uses)	<u>9,304,920</u>	<u>969,408</u>	<u>10,274,328</u>
Net change in fund balances	6,617,859	542,827	7,160,686
Fund Balances:			
Beginning of year	<u>11,827,281</u>	<u>1,637,581</u>	<u>13,464,862</u>
End of year	<u>\$ 18,445,140</u>	<u>\$ 2,180,408</u>	<u>\$ 20,625,548</u>

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

**CITY OF CRESTVIEW, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2020**

Net Change In Fund Balances - Governmental Funds \$ 7,160,686

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

The repayment of principal on long-term debt consumes the current financial resources of governmental funds but has no effect on the government-wide net position. Also, governmental funds report the effects of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred in the Statement of Activities.

Principal payments, net of premium and discount amortization	421,704
Proceeds from revenue bonds issued	(10,348,358)

Accrued interest expense in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(197,909)
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Annual other post employment benefits (OPEB) expenses are reported in the statement of activities but, they are not reported as expenditures in the governmental funds.	(116,241)
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Capital outlays are reported in the general fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$11,259,749) was less than depreciation (\$1,317,198) and amortization (\$100,723) in the current period.	9,841,828
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Changes in liabilities for compensated absences do not require the use of current financial resources, therefore, they are not reported as expenditures in governmental funds.	(264,891)
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Governmental funds do not recognize expenditures for the change in the net pension liability from year-to-year.	<u>(127,559)</u>
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Change in Net Position - Governmental Activities \$ 6,369,260

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

CITY OF CRESTVIEW, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 15,886,500	\$ 15,886,500	\$ 16,960,606	\$ 1,074,106
License and permits	1,760,000	1,760,000	1,528,258	(231,742)
Intergovernmental, unrestricted	1,125,200	1,125,200	1,114,154	(11,046)
Intergovernmental, restricted	-	-	4,255,764	4,255,764
Charges for services	467,075	467,075	645,322	178,247
Fines and forfeitures	46,000	46,000	81,204	35,204
Interest	20,000	20,000	28,793	8,793
Miscellaneous	-	25,058	174,157	149,099
Total revenues	<u>19,304,775</u>	<u>19,329,833</u>	<u>24,788,258</u>	<u>5,458,425</u>
Expenditures:				
Current:				
General government	5,929,001	5,929,001	4,221,428	1,707,573
Public safety	10,085,870	10,085,870	9,455,996	629,874
Transportation	1,509,306	1,509,306	1,239,464	269,842
Culture and recreation	1,493,187	1,493,187	1,339,612	153,575
Capital outlay	1,020,271	1,045,329	10,965,592	(9,920,263)
Debt service:				
Principal	261,425	261,425	224,484	36,941
Interest	-	-	28,743	(28,743)
Total expenditures	<u>20,299,060</u>	<u>20,324,118</u>	<u>27,475,319</u>	<u>(7,151,201)</u>
Deficiency of revenues under expenditures	<u>(994,285)</u>	<u>(994,285)</u>	<u>(2,687,061)</u>	<u>(1,692,776)</u>
Other Financing Sources (Uses):				
Transfers in	5,000	5,000	-	(5,000)
Transfers out	(145,840)	(145,840)	(1,043,438)	(897,598)
Issuance of revenue bonds	-	-	10,348,358	10,348,358
Total other financing sources (uses)	<u>(140,840)</u>	<u>(140,840)</u>	<u>9,304,920</u>	<u>9,445,760</u>
Reserves	<u>1,135,125</u>	<u>1,135,125</u>	<u>-</u>	<u>(1,135,125)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,617,859</u>	<u>\$ 6,617,859</u>

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

**CITY OF CRESTVIEW, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020**

	Business-Type Activities		
	Enterprise Funds		
	Utilities Fund	Sanitation Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 3,038,698	\$ 2,668,904	\$ 5,707,602
Investments	99,367	-	99,367
Accounts receivable, net	838,826	481,098	1,319,924
Prepaid expenses	66,867	-	66,867
Total current assets	4,043,758	3,150,002	7,193,760
Non-Current Assets:			
Restricted cash and cash equivalents	2,417,264	-	2,417,264
Restricted investments	259,421	-	259,421
Capital assets:			
Assets not being depreciated	6,744,087	-	6,744,087
Assets being depreciated, net	34,130,372	-	34,130,372
Total non-current assets	43,551,144	-	43,551,144
Total assets	47,594,902	3,150,002	50,744,904
Deferred Outflows of Resources:			
Deferred loss on bond refunding	845,339	-	845,339
Other postemployment benefits	14,908	-	14,908
Pensions	372,505	-	372,505
Total deferred outflows of resources	1,232,752	-	1,232,752
Total Assets and Deferred Outflows	\$ 48,827,654	\$ 3,150,002	\$ 51,977,656

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

**CITY OF CRESTVIEW, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020
(Continued)**

	Business-Type Activities		
	Enterprise Funds		
	Utilities Fund	Sanitation Fund	Total
LIABILITIES AND NET POSITION			
Current Liabilities:			
Accounts payable	\$ 345,703	\$ 249,949	\$ 595,652
Accrued expenses	38,900	-	38,900
Payable from restricted assets			
Accrued interest	82,489	-	82,489
Customer deposits	886,589	-	886,589
Notes payable	162,995	-	162,995
Revenue bonds payable	37,823	-	37,823
Compensated absences	901	-	901
Notes payable	580,642	-	580,642
Revenue bonds payable	304,396	-	304,396
Total current liabilities	<u>2,440,438</u>	<u>249,949</u>	<u>2,690,387</u>
Non-Current Liabilities:			
Net other postemployment benefits obligation	228,636	-	228,636
Compensated absences	171,237	-	171,237
Notes payable	8,518,774	-	8,518,774
Revenue bonds payable	10,710,094	-	10,710,094
Net pension liability	443,566	-	443,566
Total non-current liabilities	<u>20,072,307</u>	<u>-</u>	<u>20,072,307</u>
Total liabilities	<u>22,512,745</u>	<u>249,949</u>	<u>22,762,694</u>
Deferred Inflows of Resources:			
Other postemployment benefits	23,381	-	23,381
Pensions	217,786	-	217,786
Total deferred inflows of resources	<u>241,167</u>	<u>-</u>	<u>241,167</u>
Net Position:			
Net investment in capital assets, net of related debt	21,405,074	-	21,405,074
Restricted			
Impact fees	1,144,381	-	1,144,381
Debt service and other debt requirements	362,408	-	362,408
Unrestricted	3,161,879	2,900,053	6,061,932
Total net position	<u>26,073,742</u>	<u>2,900,053</u>	<u>28,973,795</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 48,827,654</u>	<u>\$ 3,150,002</u>	<u>\$ 51,977,656</u>

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

CITY OF CRESTVIEW, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities		
	Enterprise Funds		
	Utilities Fund	Sanitation Fund	Total
Operating Revenue:			
Charges for service	\$ 8,025,421	\$ 3,921,341	\$ 11,946,762
Other operating income	189,010	248,956	437,966
Total operating revenue	<u>8,214,431</u>	<u>4,170,297</u>	<u>12,384,728</u>
Operating Expenses:			
Personnel services	2,419,512	-	2,419,512
Contractual services	1,242,654	3,897,233	5,139,887
Materials and supplies	301,924	-	301,924
Professional services	65,497	-	65,497
Repairs and maintenance	299,713	-	299,713
Office and utilities	808,186	19,485	827,671
Insurance expense	261,582	-	261,582
Depreciation and amortization	1,453,686	-	1,453,686
Total operating expenses	<u>6,852,754</u>	<u>3,916,718</u>	<u>10,769,472</u>
Operating income	<u>1,361,677</u>	<u>253,579</u>	<u>1,615,256</u>
Non-Operating Revenue and Expense:			
Interest earnings	11,918	-	11,918
Interest expense	(710,514)	-	(710,514)
Total non-operating revenues and expenses	<u>(698,596)</u>	<u>-</u>	<u>(698,596)</u>
Income Before Operating Transfers	<u>663,081</u>	<u>253,579</u>	<u>916,660</u>
Transfers:			
Transfers in	1,223,602	365,331	1,588,933
Transfers out	(1,149,572)	(365,331)	(1,514,903)
Total transfers	<u>74,030</u>	<u>-</u>	<u>74,030</u>
Change in net position	737,111	253,579	990,690
Net position - beginning of year	<u>25,336,631</u>	<u>2,646,474</u>	<u>27,983,105</u>
Net position - end of year	<u>\$ 26,073,742</u>	<u>\$ 2,900,053</u>	<u>\$ 28,973,795</u>

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

**CITY OF CRESTVIEW, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2020**

	Utilities Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 8,222,584	\$ 4,170,093	\$ 12,392,677
Cash paid to employees for services	(2,354,919)	-	(2,354,919)
Cash paid to suppliers for goods and services	(2,774,076)	(4,002,991)	(6,777,067)
Net cash provided by operating activities	<u>3,093,589</u>	<u>167,102</u>	<u>3,260,691</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers to other funds	(1,149,572)	(365,331)	(1,514,903)
Transfers from other funds	1,223,602	365,331	1,588,933
Net cash provided by non-capital financing activities	<u>74,030</u>	<u>-</u>	<u>74,030</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,595,820)	-	(1,595,820)
Interest paid	(634,861)	-	(634,861)
Proceeds from revenue bond issued	19,261	-	19,261
Principal payment of notes payable	(724,978)	-	(724,978)
Principal payment on bonds payable	(295,000)	-	(295,000)
Net cash used in capital and related financing activities	<u>(3,231,398)</u>	<u>-</u>	<u>(3,231,398)</u>
Cash Flows from Investing Activities:			
Purchases of investments	(3,355)	-	(3,355)
Interest received	11,918	-	11,918
Net cash provided by investing activities	<u>8,563</u>	<u>-</u>	<u>8,563</u>
Net Change in Cash and Cash Equivalents	(55,216)	167,102	111,886
Cash and Cash Equivalents - Beginning of the Year	5,511,178	2,501,802	8,012,980
Cash and Cash Equivalents - End of the Year	<u>\$ 5,455,962</u>	<u>\$ 2,668,904</u>	<u>\$ 8,124,866</u>
Displayed As:			
Cash and cash equivalents	\$ 3,038,698	\$ 2,668,904	\$ 5,707,602
Restricted cash	2,417,264	-	2,417,264
	<u>\$ 5,455,962</u>	<u>\$ 2,668,904</u>	<u>\$ 8,124,866</u>
Reconciliation of Operating Income to Net Cash			
Operating income	\$ 1,361,677	\$ 253,579	\$ 1,615,256
Adjustments to reconcile operating income to net cash provided by operating activities -			
Depreciation and amortization expense	1,453,686	-	1,453,686
Changes in operating assets and liabilities:			
Accounts receivable	8,153	(204)	7,949
Prepaid expenses	2,515	-	2,515
Deferred outflows of resources - other postemployment benefits	(10,882)	-	(10,882)
Deferred outflows of resources - pensions	103,281	-	103,281
Accounts payable	181,066	(86,273)	94,793
Accrued expenses	25,475	-	25,475
Current liabilities - restricted	(12,363)	-	(12,363)
Other post employment benefits	34,875	-	34,875
Customer deposits	34,262	-	34,262
Deferred inflows of resources - other postemployment benefits	(3,987)	-	(3,987)
Deferred inflows of resources - pensions	(69,787)	-	(69,787)
Compensated absences	6,199	-	6,199
Net pension liability	(20,581)	-	(20,581)
Total adjustments	<u>1,731,912</u>	<u>(86,477)</u>	<u>1,645,435</u>
Net Cash Provided By Operating Activities	<u>\$ 3,093,589</u>	<u>\$ 167,102</u>	<u>\$ 3,260,691</u>
Supplemental Schedule of Non-Cash Investing and Capital and Related Financing Activities			
Principal payment of capital lease	\$ 432,381	\$ -	\$ 432,381
Proceeds of revenue bonds issued	<u>\$ (432,381)</u>	<u>\$ -</u>	<u>\$ (432,381)</u>

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

CITY OF CRESTVIEW, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	Fiduciary Funds		
	General Employees Retirement Plan	Police Officers/ Firefighters Plan	Total
ASSETS			
Cash and cash equivalents	\$ 217,039	\$ 644,742	\$ 861,781
Investments:			
Fixed income securities	6,376,153	6,012,718	12,388,871
Common stock and equity funds	12,388,069	13,376,036	25,764,105
Real estate	1,924,199	1,971,189	3,895,388
Total investments	<u>20,688,421</u>	<u>21,359,943</u>	<u>42,048,364</u>
Contributions receivable	<u>10,108</u>	<u>358,176</u>	<u>368,284</u>
Total assets	<u>\$ 20,915,568</u>	<u>\$ 22,362,861</u>	<u>\$ 43,278,429</u>
LIABILITIES AND NET POSITION			
Accounts payable	\$ 16,765	\$ 115,243	\$ 132,008
Prepaid contribution	-	97,594	97,594
DROP plan benefits payable	<u>480,614</u>	<u>-</u>	<u>480,614</u>
Total liabilities	<u>497,379</u>	<u>212,837</u>	<u>710,216</u>
Net Position:			
Net position restricted for pensions	<u>20,418,189</u>	<u>22,150,024</u>	<u>42,568,213</u>
Total Liabilities and Net Position	<u>\$ 20,915,568</u>	<u>\$ 22,362,861</u>	<u>\$ 43,278,429</u>

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

CITY OF CRESTVIEW, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	Fiduciary Funds		
	General Employees Retirement Plan	Police Officers/ Firefighters Plan	Total
Additions:			
Contributions:			
Contributions - city	\$ 631,126	\$ 545,736	\$ 1,176,862
Contributions - employee	314,914	298,713	613,627
Contributions - state	-	339,562	339,562
Total contributions	<u>946,040</u>	<u>1,184,011</u>	<u>2,130,051</u>
Investment income:			
Net appreciation in fair value of investments	1,252,196	1,180,222	2,432,418
Interest and dividend income	524,495	555,876	1,080,371
Investment expenses	(34,179)	(48,405)	(82,584)
Net investment income	<u>1,742,512</u>	<u>1,687,693</u>	<u>3,430,205</u>
Total additions	<u>2,688,552</u>	<u>2,871,704</u>	<u>5,560,256</u>
Deductions:			
Benefits paid	880,971	1,005,686	1,886,657
Refunds of contributions	120,756	33,151	153,907
Interest on refunds	24,213	1,864	26,077
Drop plan benefits paid	349,773	-	349,773
Administrative expenses	76,909	90,570	167,479
Total deductions	<u>1,452,622</u>	<u>1,131,271</u>	<u>2,583,893</u>
Changes in net position	1,235,930	1,740,433	2,976,363
Net position - beginning of year	<u>19,182,259</u>	<u>20,409,591</u>	<u>39,591,850</u>
Net position - end of year	<u>\$ 20,418,189</u>	<u>\$ 22,150,024</u>	<u>\$ 42,568,213</u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Crestview (the “City”) was originally incorporated as the Town of Crestview under Laws of the State of Florida in April 11, 1916. The town was re-incorporated by Ch. 9718, Acts 1923, and Chapter 25754, Special Acts 1949, as the City of Crestview. The City operates under the Council-Mayor form of government and provides the following services: public safety (law enforcement and fire control), roads and streets, water and sewer, sanitation, culture and recreation, public improvements, planning and zoning and general administrative services.

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

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

A. Reporting Entity

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

As required by generally accepted accounting principles (GAAP), these financial statements present the City of Crestview (the primary government) and its component units, entities for which the City is considered to be financially accountable. In evaluating the City as reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City’s financial statements. Management utilized criteria set forth in GASB 61 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB 61, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

As of September 30, 2020, the City of Crestview has one component unit, the Crestview Community Redevelopment Agency (“Agency”), as defined by GASB 61, which is presented in the financial statements of the primary government as a blended component unit.

CITY OF CRESTVIEW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Crestview Community Redevelopment Agency (“Agency”) was established by the City as a separate legal entity in accordance with Florida Statute 166.021, Chapter 163, Part III. The Agency oversees the redevelopment of the downtown area. The Community Redevelopment Board of Commissioners consists of the City Council. In addition, City employees manage the Agency’s assets. The Agency is reported in the financial statements of the primary government as a non-major governmental fund. The Agency also issues separate, audited financial statements which are available from the Agency at 198 North Wilson Street, Crestview, FL 32536.

The City of Crestview Housing Authority (“Authority”) is considered a related organization to the City rather than a component unit. The Mayor of the City appoints each of the five board members of the Authority. The Mayor and members of the City Council have no oversight responsibility or any financial relationship with the Authority, other than providing certain services. Thus, the Authority is determined not to be a part of the reporting entity and is not included as a component unit in the financial statements.

B. Government-Wide and Fund Financial Statements

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Pension plans recognize revenue when contributions are due, as there is a statutory requirement to make the contribution. Property taxes are recorded as revenue in the year for which they are levied. Grants and similar items are recognized as revenue soon as all eligibility requirements imposed by the provider have been met.

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

Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other items are considered to be measurable only when cash is received by the City.

The City's ad valorem taxes are assessed by the Okaloosa County Property Appraiser and collected by the Okaloosa County Tax Collector in accordance with Florida Statutes. The City retains the right and duty to set millage rates. Property taxes are not recorded as receivables at September 30th because, though legally assessed as of January 1, they are not due and payable until after the close of the fiscal year ended the following September 30th.

The following is the current property tax calendar:

Assessment date	January 1, 2020
Levy date	November 1, 2020
Due date	March 31, 2021
Delinquency date	April 1, 2021

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Revenue recognition criteria for property taxes under GASB requires that only property taxes expected to be collected within 60 days of the current period be accrued. Property taxes which are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility; therefore, they are not recorded as a receivable at the balance sheet date.

D. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. Internally dedicated resources are reported as *general revenues* rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses and balances of financial resources) and not net income.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation (Continued)

The City reports the following major governmental fund:

General Fund - This is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary

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

Utilities Fund - This fund accounts for the City's distribution of potable water; sales and service and sanitary wastewater collection; and treatment of and disposal operations services.

Sanitation Fund - This fund accounts for the City's solid waste collection, disposal, and/or recycling services.

Fiduciary

Fiduciary funds are used to account for the assets held on behalf of outside parties, including other governments. The City has two major fiduciary funds.

Crestview Police Officers/Firefighters Retirement Plan - Used to report resources that are required to be held in trust for the members and beneficiaries of a defined benefit pension plan administered by the City for all City police officers and firefighters.

Crestview General Employees Retirement Plan - Used to report the resources that are required to be held in trust for the members and beneficiaries of a defined benefit pension plan administered by the City for the employees that are not part of the police officer/firefighter plan.

CITY OF CRESTVIEW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Fund Balances

Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government and other similar permitted investments. The City adheres strictly to the provisions of those cited Statutes, as well as with Chapter 280, Florida Statutes, which requires the City to maintain deposits only with “Qualified Public Depositories.” The City maintains a cash pool available for use by all funds. Earnings from the pool are allocated to the respective funds based on applicable cash participation by each fund.

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

Cash amounts in the general and utilities funds are generally either placed in State Board of Administration Debt Service accounts for investment of debt service moneys, invested with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pools created by Section 218.405 and 218.417, Florida Statutes, or made locally.

At September 30, 2020, the City’s investments in the Local Government Surplus Funds Trust Fund A (“Florida PRIME”), which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which approximates amortized cost.

Pension Trust Funds may invest in collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations; direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government or an agency of the U.S. Government; stocks, mutual funds, corporate bonds, structured mortgage products issued by the U.S. Government, or other mortgage related or asset-backed securities provided the meet certain criteria; real estate; and foreign fixed income and equity securities.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Fund Balances (Continued)

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, if any, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Accounts receivable from customers are reported at the outstanding balance due from customers, net of any allowance for doubtful accounts. The City provides for doubtful accounts based on experience and analysis of individual accounts. When the collectibility of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. At September 30, 2020, the allowance for doubtful accounts for proprietary funds totaled \$70,000.

Restricted Assets

Certain proceeds of the City’s Revenue Bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, customer deposits for water and sewer services are classified as restricted assets.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Fund Balances (Continued)

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 and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 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 are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, offset by any interest earned on the invested proceeds over the same period.

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

Buildings and utility systems	20-50 years
Improvements other than buildings	20-40 years
Infrastructure	20-40 years
Machinery and equipment	3-40 years

Deferred Outflows/Inflows of Resources

The City has implemented the provisions of GASB Nos. 63 and 65. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as an acquisition or consumption, respectively, of net assets applicable to a future reporting period. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 65, *Items Previously Reported As Assets and Liabilities*, reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements, (1) deferred outflows of resources, (2) outflows of resources, (3) deferred inflows of resources, and (4) inflows of resources. Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement 65 provides that guidance.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Fund Balances (Continued)

Deferred Outflows/Inflows of Resources (Continued)

The City reports increases and decreases in net position that relate to future periods as deferred inflows and outflows of resources in separate sections of the statement of net position. The City's three deferred outflows of resources reported in the government-wide financial statements are related to deferred loss on bond refunding, pensions and other postemployment benefits (OPEB). The City's two deferred inflows of resources reported in the government-wide financial statements are related to pensions and other postemployment benefits (OPEB). The deferred loss on bond refunding is further discussed in Note 8. The deferred outflows and inflows of resources related to pensions and OPEB are further discussed in Note 9 and 10, respectively.

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three types of deferred outflows at September 30, 2020. The deferred outflows of resources arising from the refunding of bonds is being amortized over the remaining life of the refunding bonds, and the deferred outflow of resources related to pension expense and OPEB are discussed below.

In addition to liabilities, the statement of net position and/or balance sheet-governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At September 30, 2020, the City does not have any of this type of item, other than for pensions and OPEB as discussed below.

Pensions

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 pension plans and additions to/deduction from the City pension plans' fiduciary net position have been determined on the same basis as they are reported by the City pension plans.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

For all pensions, at September 30, 2020, the aggregates of the City's net pension liabilities were \$3,020,796, deferred outflows of resources were \$2,536,854, and deferred inflows of resources were \$1,483,172 related to pensions, and pension expenses (or expenditures) for the year ended September 30, 2020 associated with net pension liabilities totaled \$140,472.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Fund Balances (Continued)

Other Postemployment Benefits (OPEB)

The measurement of net OPEB obligation, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense are described in more detail in Note 10. Additions to/deductions have been determined on the same basis as they have been reported by the OPEB plan. Benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms.

Compensated Absences

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

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

<u>Years of Employment</u>	<u>General</u>	<u>Police</u>	<u>Fire</u>
0 - 3 Years of Service	13.33 hours	16 hours	20 hours
3 - 5 Years of Service	15.66 hours	20 hours	23 / 28 hours
5 + Years of Service	18 hours	24 hours	28 / 33 hours

The fire accrual for the 3 - 5 years of service and the 5 + years of service are for those with less than 100 hours banked versus those with 100 hours banked.

Upon termination or retirement, a maximum of 480 hours of accrued benefit will be paid for any earned but unused leave to their credit as of the effective date of termination.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Fund Balances (Continued)

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 current period expenses.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Bond premiums and discounts are recognized as other financing sources or uses as appropriate. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Classification of Fund Balance

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

- Non-spendable - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- Restricted - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed - includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action of the government’s highest level of decision making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Position or Fund Balances (Continued)

Classification of Fund Balance (Continued)

- Assigned - includes fund balance amounts that sets limits as a result of the intended use of funds that are neither restricted nor committed, per the City's Purchasing Policy, which is set by the City's management. In governmental funds, other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that the resources of other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When committed, assigned, or unassigned resources are available for use in the governmental fund financial statements, it is the City's policy to use committed resources first, followed by assigned resources and then unassigned resources, as they are needed.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - is intended to reflect the portion of net position which are associated with non-liquid, capital assets, net of related debt.
- Restricted Net Position - are liquid assets, generated from revenues and net bond proceeds, which are not accessible for general use because of third-party (statutory, bond covenant or grant agency) limitations.
- Unrestricted Net Position - represents unrestricted liquid assets.

F. 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 financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Budgets

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

Budgetary data reflected in the financial statements are established by the following procedures:

Prior to September 1 of each year, the City Council prepares in detail and adopts a budget of anticipated revenues and expenditures for all City purposes of the ensuing year.

Proposed budgets are advertised in a newspaper of general circulation in the City and detailed in the minutes of the Council. Public hearings are conducted for the purposes of receiving taxpayer comments. When the budget is adopted, it has the force and effect of appropriations for the various items and purposes specified.

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

A budget amendment shall be deemed to mean the act of increasing the total budgeted amount of a given fund as opposed to a transfer of a budgeted amount from one account to another within the same fund. Budgeted amounts are as originally adopted, or as amended with the approval of the City Council. During the year ended September 30, 2020, the City did not amend the General Fund's original budget to prevent actual expenditures from exceeding budgeted expenditures. Significant purchases, which the budget was not amended for, were presented to and approved by City Council.

H. New Accounting Pronouncement

The City adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires additional essential information related to debt be disclosed in the notes to the financial statements. This statement also requires existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The required disclosures have been added to Note 7.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

Deposits may be exposed to custodial credit risk, which is the risk that in the event of a bank failure, the government's deposits may not be returned. The City manages its custodial credit risk by maintaining its deposits with "Qualified Public Depositories" (QPDs), as defined in Chapter 280, Florida Statutes, which bear no custodial credit risk or are in institutions which meet the exemption requirements of Chapter 280. The exemptions qualify under the exemptions 280.03(e) or 280.03(f) as a deposit made in accordance with Chapter 17.57(g). The provisions of Chapter 280 allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits.

All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, all deposits are fully insured or collateralized with securities held by the State Treasurer in the City's name.

Investments:

As of September 30, 2020, the City held the following investments in its governmental and proprietary funds as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosure*:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Local government investment pool	\$ 756,720	< one year	AAAm

Certificates of deposit valued at \$312,020 are also included as investments on the Statement of Net Position.

As of September 30, 2020, the City held the following investments in its pension funds:

<u>Investment Type</u>	<u>Fair Value</u>
Fixed income securities	\$ 12,388,871
Equities	25,764,105
Real estate investment fund	3,895,388
	<u>\$ 42,048,364</u>

CITY OF CRESTVIEW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk:

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The City minimizes interest rate risk by structuring investments to mature to meet future operating cash requirements and investing primarily in short-term securities.

The maturity of the State Board of Administration Local Government Surplus Funds Trust Fund Florida PRIME is based on the weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on the final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

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

Credit Risk:

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities.

The City does not have a formal policy that limits its investment choices. Unless otherwise authorized by law or ordinance, the City is authorized under Section 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time-to-time in:

1. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Chapter 163.01, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280.02, Florida Statutes.
4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities.
6. Rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
7. Other investments authorized by law or by ordinance for a county or municipality.
8. Other investments authorized by law or by resolution for a school district or a special district.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk (Continued):

9. Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time-to-time, provided the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United State Government obligations and provided such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

As of September 30, 2020, the City's investment in the Florida PRIME is rated AAAM by Standard & Poor's.

According to the General Employees' Retirement Plan, as of September 30, 2020, the portfolio consisted of investments in securities held in total return bond funds which are not rated by Moody's.

According to the Police Officers' and Firefighters' Retirement Plan, as of September 30, 2020, the portfolio consisted of U.S. Treasury, mortgage backed securities, and asset backed securities/commercial mortgage backed securities (all rated Aaa by Moody's). The portfolio also consisted of corporate and non-corporate bonds with ratings ranging from Aaa to Baa3.

Concentration Risk:

GASB Statement No. 40 requires disclosure of the concentration of credit risk when five or more percent of the total assets of the portfolio are invested with a single issuer.

The investment limits set aside by the City pension plans for an individual company security are summarized below:

<u>Security</u>	<u>General Employees' Retirement Plan</u>	<u>Police Officers' and Firefighters' Retirement Plan</u>
Equities (common stock)	5% of value of plan assets	5% of value of plan assets
Fixed income (bonds)	5% of value of plan assets	5% of value of plan assets
Foreign securities in total may not exceed	25% of value of plan assets	25% of value of plan assets

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Concentration Risk (Continued):

Fixed income investments generally must meet certain investment grading standards and equities must be traded on a national exchange. Investments in corporate common stocks and convertible bonds are limited to 70% of the market value of each plan's assets. Similar grading and/or trading criteria apply to mutual funds, money market funds, U.S. government back securities, etc. None of the above limitations were exceeded by either plan at September 30, 2020. Investment policies are subject to a review at least one annually by the Board of Trustees for each plan.

Fair Value Measurements:

The General Employees' Retirement Plan (GERP) and the Police Officers' and Firefighters' Retirement Plan (POFRP) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

The following table presents the GERP assets carried at fair value at September 30, 2020:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Investments by Fair Value Level</i>				
Equities	\$ 12,388,069	\$ -	\$ -	\$ 12,388,069
Fixed income	-	6,376,153	-	6,376,153
Total investments by fair value level	<u>\$ 12,388,069</u>	<u>\$ 6,376,153</u>	<u>\$ -</u>	18,764,222
<i>Investments Measured at Net Asset Value (NAV)</i>				
Real estate funds				<u>1,924,199</u>
Total, September 30, 2020				<u>\$ 20,688,421</u>

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurements (Continued):

The following table present the POFRP assets carried at fair value at September 30, 2020:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Investments by Fair Value Level</i>				
Equities	\$ 13,376,036	\$ -	\$ -	\$ 13,376,036
Fixed income	-	6,012,718	-	6,012,718
Total investments by fair value level	<u>\$ 13,376,036</u>	<u>\$ 6,012,718</u>	<u>\$ -</u>	19,388,754
<i>Investments Measured at Net Asset Value (NAV)</i>				
Real estate funds				<u>1,971,189</u>
Total, September 30, 2020				<u>\$ 21,359,943</u>

NOTE 3 - INTERFUND TRANSFERS

All transfers are routine and are consistent with the activities of the fund making the transfer. Included in these are intergovernmental transfers and transfers from the General Fund to the Utilities Fund to allocate expenses in the correct fund. The following presents the interfund transfers for the year ended September 30, 2020:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 1,043,438
Other Governmental Funds	1,022,363	52,955
Utilities Fund	1,223,602	1,149,572
Sanitation Fund	365,331	365,331
Totals	<u>\$ 2,611,296</u>	<u>\$ 2,611,296</u>

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

NOTE 4 - RECEIVABLES

Receivables at September 30, 2020, were as follows:

	Governmental		Business-type Activities		Total
	Activities	Business-type Activities			
	General Fund	Utilities Fund	Sanitation Fund		
Franchise fees	\$ 176,239	\$ -	\$ -	\$ 176,239	
Utility service	217,235	-	-	217,235	
Accounts receivable	52,469	428,221	260,772	741,462	
Unbilled receivables	-	455,605	245,326	700,931	
Less: allowance for doubtful accounts	-	(45,000)	(25,000)	(70,000)	
Other	4,779	-	-	4,779	
Receivables, net	<u>\$ 450,722</u>	<u>\$ 838,826</u>	<u>\$ 481,098</u>	<u>\$ 1,770,646</u>	

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

NOTE 5 - CAPITAL ASSETS

Changes in capital assets of the government-type activities are summarized as follows:

	Balance October 1, 2019	Additions	Deletions/ Transfers	Balance September 30, 2020
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,995,068	\$ 330,258	\$ -	\$ 2,325,326
Construction in progress	156,318	8,231,912	(340,204)	8,048,026
Total capital assets not being depreciated	<u>2,151,386</u>	<u>8,562,170</u>	<u>(340,204)</u>	<u>10,373,352</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,145,784	249,044	-	8,394,828
Improvements other than buildings	7,372,025	54,576	340,204	7,766,805
Infrastructure	14,061,026	1,010,813	-	15,071,839
Machinery and equipment	7,753,692	1,097,700	(8,989)	8,842,403
Equipment under capital lease	977,838	-	-	977,838
Total capital assets being depreciated	<u>38,310,365</u>	<u>2,412,133</u>	<u>331,215</u>	<u>41,053,713</u>
Less accumulated depreciation for:				
Buildings	(2,893,598)	(162,664)	-	(3,056,262)
Improvements other than buildings	(4,501,864)	(631,154)	-	(5,133,018)
Infrastructure	(8,627,494)	-	-	(8,627,494)
Machinery and equipment	(5,750,514)	(447,536)	8,989	(6,189,061)
Equipment under capital lease	(262,136)	(75,844)	-	(337,980)
Total accumulated depreciation	<u>(22,035,606)</u>	<u>(1,317,198)</u>	<u>8,989</u>	<u>(23,343,815)</u>
Total capital assets being depreciated, net	<u>16,274,759</u>	<u>1,094,935</u>	<u>340,204</u>	<u>17,709,898</u>
Governmental activities capital assets, net	<u>\$ 18,426,145</u>	<u>\$ 9,657,105</u>	<u>\$ -</u>	<u>\$ 28,083,250</u>

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

NOTE 5 - CAPITAL ASSETS (Continued)

Changes in capital assets of the business-type activities are summarized as follows:

	Balance October 1, 2019	Additions	Deletions/ Transfers	Balance September 30, 2020
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,216,319	\$ -	\$ -	\$ 2,216,319
Construction in progress	3,160,192	1,367,576	-	4,527,768
Total capital assets not being depreciated	<u>5,376,511</u>	<u>1,367,576</u>	<u>-</u>	<u>6,744,087</u>
<i>Capital assets being depreciated:</i>				
Buildings	8,954,298	-	-	8,954,298
Improvements other than buildings	3,513,032	-	-	3,513,032
Infrastructure	35,738,177	-	-	35,738,177
Machinery and equipment	6,656,123	228,244	-	6,884,367
Total capital assets being depreciated	<u>54,861,630</u>	<u>228,244</u>	<u>-</u>	<u>55,089,874</u>
Less accumulated depreciation for:				
Buildings	(4,479,739)	(185,008)	-	(4,664,747)
Improvements other than buildings	(1,210,049)	(183,295)	-	(1,393,344)
Infrastructure	(10,025,602)	(681,807)	-	(10,707,409)
Machinery and equipment	(3,790,426)	(403,576)	-	(4,194,002)
Total accumulated depreciation	<u>(19,505,816)</u>	<u>(1,453,686)</u>	<u>-</u>	<u>(20,959,502)</u>
Total capital assets being depreciated, net	<u>35,355,814</u>	<u>(1,225,442)</u>	<u>-</u>	<u>34,130,372</u>
Business-type activities, net	<u>\$ 40,732,325</u>	<u>\$ 142,134</u>	<u>\$ -</u>	<u>\$ 40,874,459</u>

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

NOTE 5 - CAPITAL ASSETS (Continued)

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

Governmental activities -	
General government	\$ 250,155
Public safety	410,229
Transportation	446,268
Culture and recreation	<u>210,546</u>
Total depreciation expenses - governmental activities	<u>\$ 1,317,198</u>
Business-type activities -	
Utilities	<u>\$ 1,453,686</u>

NOTE 6 - INTANGIBLE ASSETS

A summary of capitalized software costs as of September 30, 2020 is as follows:

Cost	\$ 889,786
Less accumulated amortization	<u>(503,615)</u>
Capitalized software costs, net	<u>\$ 386,171</u>

Amortization expense for capitalized software costs was \$100,723 for the year ended September 30, 2020.

CITY OF CRESTVIEW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 - NON-CURRENT LIABILITIES

The following is a summary of changes in long-term debt and other liabilities of the City:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020	Due Within One Year
Governmental activities:					
<i>Direct Borrowings -</i>					
Revenue bonds	\$ 2,705,000	\$ 10,348,358	\$ (195,000)	\$ 12,858,358	\$ 1,052,781
Plus deferred amounts for issuance premium	48,840	-	(2,220)	46,620	-
<i>Other Debt -</i>					
Capital leases	916,956	-	(224,484)	692,472	235,987
Compensated absences	647,244	325,571	(38,124)	934,691	60,680
Other postemployment benefits	1,040,070	202,632	-	1,242,702	-
	<u>\$ 5,358,110</u>	<u>\$ 10,876,561</u>	<u>\$ (459,828)</u>	<u>\$ 15,774,843</u>	<u>\$ 1,349,448</u>
Business-type activities:					
<i>Direct Borrowings -</i>					
State revolving loans	\$ 9,987,389	\$ -	\$ (724,978)	\$ 9,262,411	\$ 743,637
Revenue bonds	11,160,000	451,642	(295,000)	11,316,642	342,219
Less deferred amounts for issuance discount	(283,085)	-	18,756	(264,329)	-
<i>Other Debt -</i>					
Capital leases	432,381	-	(432,381)	-	-
Compensated absences	165,939	17,182	(10,983)	172,138	901
Other postemployment benefits	193,761	34,875	-	228,636	-
	<u>\$ 21,656,385</u>	<u>\$ 503,699</u>	<u>\$ (1,444,586)</u>	<u>\$ 20,715,498</u>	<u>\$ 1,086,757</u>

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

NOTE 7 - NON-CURRENT LIABILITIES (Continued)

Description of Long-Term Debt and Other Liabilities Outstanding

Governmental Activities

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<i>Revenue Bonds - Direct Borrowings</i>			
<u>Public Improvement Refunding Bonds, Series 2015</u>			
Issued \$3,165,000, interest ranges from 1.2% to 4%.			
Principal and interest payments due annually on March 1, matures in September 2041. Secured and payable from the public service taxes, franchise fees, communication services taxes and the local government half-cent sales tax. Funds used for the purpose of retiring the City's Public Improvement Revenue Bonds, Series 2001 and Series 2008.			
	200,000	2,310,000	2,510,000
 <u>Capital Improvement Revenue Bonds, Series 2020</u>			
Issued \$10,348,358, bearing an interest rate of 2.15%.			
Interest is payable semiannually and annual principal payments are due on June 1, matures in June 2030. Secured and payable from the local government half-cent sales tax and non-advalorem revenues. Of the original issue amount, \$1,125,863 due June 2029 and \$1,145,027 due June 2030 is not secured by the half-cent sales tax. Funds used for the purpose of capital outlay purchases.			
	852,781	9,495,577	10,348,358
Unamortized premium on bond refunding	-	46,620	46,620
Total revenue bonds - governmental activities	<u>1,052,781</u>	<u>11,852,197</u>	<u>12,904,978</u>
 <i>Capital leases - Other Debt</i>			
Capital lease with Pierce Manufacturing for two fire trucks; due in annual installments of \$126,472; payments through June 2023; bearing an interest rate of 2.89%; secured by the equipment; net book value at September 30, 2020 of \$638,526.			
	93,464	456,485	549,949

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

NOTE 7 - NON-CURRENT LIABILITIES (Continued)

Description of Long-Term Debt and Other Liabilities Outstanding (Continued)

Governmental Activities (Continued)

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
<i>Capital leases - Other Debt (Continued)</i>			
Capital lease with Government Capital Corporation for public safety software; due in annual installments of \$143,114; payments through December 2020; bearing an interest rate of 6.421%; secured by software; net book value at September 30, 2019 of \$100,725.	142,523	-	142,523
Total capital leases - governmental activities	235,987	456,485	692,472
Total Governmental Activities	<u>\$ 1,288,768</u>	<u>\$ 12,308,682</u>	<u>\$ 13,597,450</u>

Business-Type Activities

State Revolving Loans - Direct Borrowings

State revolving loan payable (2008) of \$7,068,015, due in semi-annual payments of \$230,172, through June 15, 2028, bearing an interest rate of 2.53%, secured by anticipated net water and sewer system revenues.	\$ 378,854	\$ 2,936,253	\$ 3,315,107
State revolving loan payable (2010) of \$890,026, due in semi-annual payments of \$29,486, through July 15, 2032, bearing an interest rate of 2.86%, secured by anticipated net water and sewer system revenues.	42,242	553,197	595,439
State revolving loan payable (2013) of \$7,283,055, due in semi-annual payments of \$228,485, through August 15, 2034, bearing an interest rate of 2.55%, secured by anticipated net water and sewer system revenues.	322,541	5,029,324	5,351,865
Total revolving loans - business-type activities	<u>743,637</u>	<u>8,518,774</u>	<u>9,262,411</u>

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

NOTE 7 - NON-CURRENT LIABILITIES (Continued)

Description of Long-Term Debt and Other Liabilities Outstanding (Continued)

Business-Type Activities (Continued)

Revenue Bonds - Direct Borrowings

Water and Sewer Refunding and Improvement Revenue Bonds, Series 2015

Issued \$6,650,000, interest ranges 2.1% to 4%.

Interest is payable semiannually and annual principal payments are due on March 1, matures in September 2033, secured by anticipated net water and sewer system revenues. Funds used for the purpose of retiring the Water & Sewer Revenue Bonds, Series 2008.

	65,000	6,370,000	6,435,000
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Water and Sewer Refunding and Improvement Revenue Bonds, Series 2016

Issued \$5,450,000, interest ranges 2.4% to 4%.

Interest is payable semiannually and annual principal payments are due on March 1, matures in September 2038, secured by anticipated net water and sewer system revenues. Funds used for the purpose of retiring the Water & Sewer Revenue Bonds, Series 2008.

	240,000	4,190,000	4,430,000
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Capital Improvement Revenue Bonds, Series 2020

Issued \$451,652 bearing an interest rate of 2.15%.

Interest is payable semiannually and annual principal payments are due on June 1, matures in June 2030. Secured and payable from the local government half-cent sales tax and non-advalorem revenues. Of the original issue amount, \$49,137 due June 2029 and \$49,973 due June 2030 is not secured by the half-cent sales tax. Funds used for the purpose of retiring a capital lease.

	37,219	414,423	451,642
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Unamortized discount on bond refunding	-	(264,329)	(264,329)
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Total revenue bonds - business-type activities	342,219	10,710,094	11,052,313
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Total Business-Type Activities	\$ 1,085,856	\$ 19,228,868	\$ 20,314,724
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Grand Total Long-Term Debt			\$ 33,912,174
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**CITY OF CRESTVIEW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 7 - NON-CURRENT LIABILITIES (Continued)

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except compensated absences and other post-employment benefits as of September 30, 2020, are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2021	\$ 1,288,768	\$ 409,563	\$ 1,085,856	\$ 609,060	\$ 3,393,247
2022	1,254,595	296,280	1,124,386	574,893	3,250,154
2023	1,552,625	265,393	1,155,062	542,897	3,515,977
2024	1,081,299	224,585	1,191,248	509,284	3,006,416
2025	1,133,999	201,137	1,224,205	474,603	3,033,944
2026-2030	5,954,544	626,735	6,582,142	1,839,459	15,002,880
2031-2035	520,000	196,217	6,166,154	850,743	7,733,114
2036-2040	625,000	101,355	2,050,000	144,263	2,920,618
2041	140,000	5,600	-	-	145,600
Total	<u>\$ 13,550,830</u>	<u>\$ 2,326,865</u>	<u>\$ 20,579,053</u>	<u>\$ 5,545,202</u>	<u>\$ 42,001,950</u>

Default Provisions

The City's revenue bonds contain a provision that in an event of a default, any trustee or any holder of bonds may by suit, action, mandamus or other proceedings, protect and enforce any and all rights under the laws of the State of Florida. The Capital Improvement Revenue Bonds, Series 2020 contains an additional provision obligating the City to pay all costs related to the collection and enforcement of the default, including attorneys' fees.

The City's state revolving loans contain provisions that in an event of a default, the City may be required to do one of the following: (1) Account for all moneys received from the Florida Department of Environmental Protection (the Department) as well as the receipt, use, application or disposition of pledged revenues; (2) use an appointed receiver to manage the water and sewer systems, including establishing and collecting fees and charges to reduce the City's obligation; (4) pay the delinquent amount plus a penalty from unobligated funds due to the City; (5) notify financial market credit rating agencies; or (6) the Department may sue for payment or accelerate the repayment schedule.

The City's capital lease agreements contain a provision that in the event of a default, the City shall pay total outstanding amounts due by acceleration, including costs incurred by the lessor associated with the default. The lessor may also request the return of the leased property.

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

NOTE 8 - REFUNDINGS OF DEBT

Advance Refundings of Debt

The City issued refunding revenue bonds to defease certain outstanding bonds for the purpose of consolidation at lower interest rates. The City placed the proceeds from those refunding bonds in irrevocable escrow accounts with a trust agent to insure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues.

During the year ended September 30, 2016, the City issued \$6,650,000 Water and Sewer System Refunding Revenue Bonds, Series 2015 and \$5,450,000 of Water and Sewer Refunding and Improvement Bonds, Series 2016, to advance refund \$10,070,000 of Water System Revenue Bonds, Series 2008. The difference between the acquisition price and the net carrying value is reported as a deferred loss on bond refunding in the accompanying financial statements and is being charged to operations through the year 2039 using the straight-line amortization method. The unamortized balance of the deferred loss on bond refunding was \$845,339 at September 30, 2020.

At September 30, 2020, the City has \$8,985,000 of bonds outstanding that are considered to be defeased.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

The City administers two defined benefit pension plans: the Crestview General Employees' Retirement Plan Trust Fund and the Crestview Police Officers' and Firefighters' Plan Trust Fund. These plans provide benefits for all qualifying employees of the City. Each plan is administered by a five-person retirement committee consisting of two members appointed by the City Council, two elected members of the Plan and a fifth member elected by the other four and appointed by the City Council. The Plans issue publicly available financial reports that include certain required additional disclosures. These reports may be obtained by writing to the Secretary, Retirement Plans, PO Box 1209, Crestview, FL 32536. Following are required employer disclosures for the plans.

General Employees' Retirement Plan (GERP)

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

General Employees' Retirement Plan (GERP) (Continued)

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

The Plan includes a provision for a deferred retirement option plan (DROP). A member becomes eligible when normal retirement requirements are satisfied. The member may not participate in the DROP for more than 60 months. The average daily balance in a member's DROP account shall be credited or debited at a rate equal to the actual net rate of investment return, net of brokerage commissions, transaction costs and management fees. Upon entering the DROP, the members shall not accrue any additional credited service or additional benefits and shall not be permitted to again contribute to the System. All benefits payable to a member from the DROP shall be paid from the assets of the member's DROP account and neither the City nor the Board shall have a duty or liability to furnish the DROP with any funds, securities or other assets except to the extent required by any applicable law. The DROP balances as of September 30, 2020 were \$480,614.

Police Officers' and Firefighters' Retirement Plan (POFRP)

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

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Police Officers' and Firefighters' Retirement Plan (POFRP) (Continued)

The Plan includes a provision for a deferred retirement option plan (DROP). A member becomes eligible when normal retirement requirements are satisfied. The member may not participate in the DROP for more than 60 months. An eligible member which elects to enter the DROP can select either 1) actual net rate of investment return, net of brokerage commissions, transaction costs and management fees or 2) interest at an effective rate of 6.5% per annum compounded monthly on the prior month's ending balance. Upon entering the DROP, the member shall not accrue any additional credited service or additional benefits and shall not be permitted to again contribute to the System. All benefits payable to a member from the DROP shall be paid only from the assets of the member's DROP account and neither the City nor the Board shall have a duty or liability to furnish the DROP with any funds, securities or other assets except to the extent required by any applicable law. At September 30, 2020, there were no members in DROP.

Membership of each plan consisted of the following on September 30, 2020, the date of the latest actuarial report.

	GERP	POFRP
Active plan members	114	88
Inactive plan members:		
Receiving benefits	57	28
Entitled to but not receiving benefits	26	11
Total	197	127

Contributions

The contribution requirements of plan members and the City are established annually and amended by City ordinance. Plan members are required to contribute a set percentage of their annual covered salaries. The City is required to contribute at an actuarially determined rate.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Investments

The following was the Board's adopted asset allocation policy as of September 30, 2020:

Asset Class	Target Allocation
Domestic Equity	45%
International Equity	15%
Broad Market Fixed Income	25%
Fixed Income (Non-Core)	2.5%
Global Fixed Income	2.5%
Real Estate	10%
	100%

The Plans did not hold investments in any one organization that represent 5 percent or more of the Pension Plans' fiduciary net position.

For the year ended September 30, 2020, the annual money-weighted rate of return on the GERP and POFRP investments, net of pension plan investment expenses, was 8.65% percent and 8.12% percent, respectively.

More information about the Plan's investments is discussed in Note 2.

Net Pension Asset of the Sponsor

The components of the net pension asset (liability) of the sponsor on September 30, 2020 were as follows:

	GERP	POFRP
Total Pension Liability	\$ 22,319,466	\$ 23,855,305
Plan Fiduciary Net Position	(20,895,055)	(22,258,920)
Sponsor's Net Pension Liability	\$ 1,424,411	\$ 1,596,385
Plan Fiduciary Net Position as a percentage of Total Pension Liability	93.62%	93.31%

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$127,559 for the GERP and \$12,913 for the POFRP. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	GERP		POFRP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of October 1, 2019	\$ 1,253,058	\$ 880,542	\$ 1,896,579	\$ 1,023,149
Change due to:				
Amortization	(569,629)	(438,656)	(655,072)	(509,694)
Changes in assumptions	32,218	-	-	72,480
Difference between projected and actual earnings on investments	-	284,541	-	170,810
Difference between expected and actual experience	368,023	-	211,677	-
Total change	<u>(169,388)</u>	<u>(154,115)</u>	<u>(443,395)</u>	<u>(266,404)</u>
Balance as of September 30, 2020	<u>\$ 1,083,670</u>	<u>\$ 726,427</u>	<u>\$ 1,453,184</u>	<u>\$ 756,745</u>

The outcome of the deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability each year. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	GERP	POFRP
2021	\$ 160,860	\$ 285,969
2022	\$ 87,387	\$ 331,843
2023	\$ 85,855	\$ 125,653
2024	\$ 23,141	\$ (70,226)
2025	\$ -	\$ 23,200

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions applied to all measurements periods.

	<u>GERP</u>	<u>POFRP</u>
Inflation	2.50%	2.50%
Invested rate of return	7.25%	7.25%
Projected salary increases	Service based	Aged Based

GERP: PubG.H-2010 Mortality Table for healthy active lives for employees (set back one year for males), healthy retiree lives (set back one year for males), beneficiary lives for healthy retirees (set back one year for males), and disabled lives (set forward three years).

POFRP: PubS.H-2010 Mortality Table (Below Median) for healthy active lives for female and male employees set forward one year. PubS.H-2010 Mortality Table for healthy retirees for female and male retirees set forward one year. PubG.H-2010 Mortality Table for beneficiary lives for healthy retirees set back one year for males. 80% PubG.H-2010/20% PubS.H-2010 Mortality Tables for disabled retirees.

The actuarial assumptions used in the October 1, 2019 valuation were based on the results of an actuarial experience study dated August 29, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>GERP</u>	<u>POFRP</u>
Domestic Equity	7.50%	7.50%
International Equity	8.50%	8.50%
Broad Market Fixed Income	2.50%	2.50%
Domestic Fixed Income	2.50%	0.00%
Global Fixed Income	3.50%	3.50%
Real Estate	4.50%	4.50%

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	GERP	POFRP
1% decrease of discount rate to 6.25% for GERP and POFRP	\$ 4,223,978	\$ 4,742,012
Current discount rate of 7.25% for GERP and POFRP	\$ 1,424,411	\$ 1,596,385
1% increase of discount rate to 8.25% for GERP and POFRP	\$ (892,951)	\$ (994,436)

Changes in Net Pension Liability - GERP

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of September 30, 2019	\$ 21,871,565	\$ 20,459,160	\$ 1,412,405
Change due to:			
Service cost	667,898	-	667,898
Interest	1,555,250	-	1,555,250
Differences between expected and actual experience	368,023	-	368,023
Changes in assumptions	32,218	-	32,218
Contributions - employer	-	629,053	(629,053)
Contributions - employee	-	317,003	(317,003)
Net investment income	-	1,721,236	(1,721,236)
Benefit payments, including refunds of employee contributions	(2,175,488)	(2,175,488)	-
Administrative expense	-	(55,909)	55,909
Balance as of September 30, 2020	\$ 22,319,466	\$ 20,895,055	\$ 1,424,411

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Changes in Net Pension Liability - POFRP

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of September 30, 2019	\$ 22,185,627	\$ 20,525,444	\$ 1,660,183
Change due to:			
Service cost	829,996	-	829,996
Interest	1,630,907	-	1,630,907
Share plan allocation	110,280	-	110,280
Differences between expected and actual experience	211,677	-	211,677
Changes of assumptions	(72,480)	-	(72,480)
Contributions - employer	-	537,980	(537,980)
Contributions - state	-	339,563	(339,563)
Contributions - employee	-	304,695	(304,695)
Net investment income	-	1,661,513	(1,661,513)
Benefit payments, including refunds of employee contributions	(1,040,702)	(1,040,702)	-
Administrative expense	-	(69,573)	69,573
Balance as of September 30, 2020	<u>\$ 23,855,305</u>	<u>\$ 22,258,920</u>	<u>\$ 1,596,385</u>

NOTE 10 - OTHER POST-EMPLOYMENT BENEFIT PLAN

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (Statement No. 75), requires governments to account OPEB on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expenses when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefits. The total OPEB liability is recorded at the fund level for proprietary activities and the allocated amount for governmental activities is presented at the government-wide level. The annual OPEB cost is included in the line item of personal services for proprietary fund statements and is allocated by function for governmental activities on the government-wide financial statements.

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

Plan Description

The City of Crestview's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the City. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue medical and life insurance coverage as a participant in the City's plan. For purposes of applying Paragraph 4 under Statement No. 75, the Plan does not meet the requirements for an OPEB plan administered through a trust. The Plan does not issue a stand-alone report, and it is not included in the report of a Public Employee Retirement System or another entity.

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Active plan members	218
Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	0
Total	<u>220</u>

Benefits Provided

A retired employee and his or her spouse are eligible to continue health insurance identical to active employees if they meet the eligibility for retirements under the applicable Plan. The retiree is responsible for paying the entire premium for health coverage and that of any covered spouse or eligible dependents.

Total OPEB Liability

At September 30, 2020, the City reported total OPEB liability of \$1,471,338 for the single-employer plan. Total OPEB liability was measured as of September 30, 2019. The measurement period for OPEB expense was October 1, 2018 through September 30, 2019.

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018 using the following actuarial assumptions:

Inflation rate	2.50%
Salary increase rate(s)	Varies by Service
Discount rate	3.58%
Initial trend rate	8.00%
Ultimate trend rate	4.00%
Years to ultimate	56

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2018 Florida Retirement System (FRS) valuation report.

For general employees, mortality rates were based on the RP-2000 mortality tables. For female lives, 100% of the white-collar table was used. For male lives, a 50% white collar table, 50% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled lives, mortality rates were based on the RP-2000 sex-distinct disabled mortality tables with female lives set forward two (2) years, male lives set back four (4) years. Disabled mortality has not been adjusted for mortality improvements.

For police and fire employees, mortality rates were also based on various RP-2000 mortality tables. For female lives, 100% of the white-collar table was used. For male lives, a 10% white collar table, 90% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled female lives, a blend of 60% of the RP-2000 disabled female mortality table set forward two (2) years and 40% of the white-collar table with no setback was used. For disabled male lives, a blend of 60% of the RP-2000 disabled male mortality table set back four (4) year and 40% of the white-collar table with no setback was used. Disabled mortality has not been adjusted for mortality improvements.

Discount Rate

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 3.58%. The high-quality municipal bond rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices nearest the measurement date. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Rating Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

Changes to Total OPEB Liability

	Increase (Decrease) in Total OPEB Liability
	\$
Balance as of October 1, 2019	1,233,831
Changes for the year:	
Service cost	110,071
Interest	55,819
Differences between expected and actual experience	-
Changes of assumptions	88,837
Benefit payments	(17,220)
Balance as of September 30, 2020	\$ 1,471,338

Changes of assumptions reflect a change in the discount rate from 4.18% for the reporting period ended September 30, 2019 to 3.58% for the reporting period ended September 30, 2020.

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% point lower (2.58%) or 1% point higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$ 1,635,216	\$ 1,471,338	\$ 1,326,936

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

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% point lower (3% to 7%) or 1% point higher (5% to 9%) than the current discount rate.

	1% Decrease (3% - 7%)	Healthcare Cost Trend Rates (4% - 8%)	1% Increase (5% - 9%)
Total OPEB liability	\$ 1,284,344	\$ 1,471,338	\$ 1,694,861

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$136,247.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 74,451
Changes of assumptions	77,732	78,318
Employer contributions subsequent to the measurement date	22,598	-
Total	\$ 100,330	\$ 152,769

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

NOTE 10 - OTHER POST-EMPLOYMENT BENEFIT PLAN (Continued)

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(Continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30		
2021	\$	(16,045)
2022		(16,045)
2023		(16,045)
2024		(16,045)
2025		(16,048)
Thereafter		5,191
	\$	(75,037)

NOTE 11 - RISK MANAGEMENT

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

The City does not retain a risk of loss as a participant in the public entity risk pool. The City maintains minimal deductibles for insurance policies from its various commercial carriers. There has been no significant reduction in insurance coverage from the prior fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City participates in various federal and state grants. The expenditures of these grants are subject to audit and adjustment by the funding agency or their representatives. If expenditures are subsequently disallowed due to noncompliance with the program, the City may be required to repay the funding agency. The City's management believes that disallowed expenditures, if any, will not be material to the accompanying financial statements.

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

NOTE 12 - FUND EQUITY

Restricted Net Assets:

The City has established certain restrictions within the net assets section of the enterprise funds. It is the City's policy to first apply restricted resources for expenditures incurred for which there are restricted and unrestricted resources available. Additionally, the City would first apply committed, followed by assigned amounts and lastly unassigned amounts of unrestricted fund balance when expenditures are incurred.

Restricted net assets at September 30, 2020 consist of the following:

	Utilities
Restricted for impact fees	\$ 1,144,381
Restricted for debt service	362,408
	\$ 1,506,789

Restricted and Committed Fund Balances:

The City has established certain restrictions commitments within the fund equity section of the governmental funds. Nonspendable, restricted and assigned fund balances at September 30, 2020, consist of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepaid expenditures	\$ 210,650	\$ -	\$ 210,650
Permanent fund	-	54,219	54,219
Total nonspendable	\$ 210,650	\$ 54,219	\$ 264,869
Restricted for:			
Debt service	\$ -	\$ 311,900	\$ 311,900
Other	-	1,293	1,293
Total restricted	\$ -	\$ 313,193	\$ 313,193
Assigned for:			
Special revenue	\$ -	\$ 1,812,996	\$ 1,812,996
Permits and other fees	1,100,539	-	1,100,539
Traffic impact	616,207	-	616,207
Total assigned	\$ 1,716,746	\$ 1,812,996	\$ 3,529,742

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

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Contracts

The City has contracted with CH2M Hill, Inc. (CH2M) to operate, maintain and manage the City's sewer treatment plant. Fees are payable monthly and are subject to adjustment on a regular basis. A new contract was signed for a five-year term commencing October 1, 2019. The agreement will automatically renew for another five-year term ending September 30, 2024. The latest contract established a base fee for fiscal year 2020 of \$1,045,028. It also provides for electrical cost or consumption increases over an established amount (\$192,000) to be shared equally by the City and CH2M. Total fees under the contract for the year ended September 30, 2020, were approximately \$1,000,000.

Legal Matters

The City is involved in pending and threatened legal actions. In the opinion of City management, after consulting with legal counsel, the range of potential loss from all such claims and actions should not materially affect the financial condition of the City.

Sanitation Collection

In September 2013, the City contracted with Waste Pro of Florida, Inc. for the collection and disposal of residential and commercial solid waste, yard refuse and recycling. The non-exclusive franchise agreement expired September 30, 2018. The contract was renewed and is effective through September 30, 2023. The City is responsible for billings and collections related to the sanitation services and retains 6% of the collections as payment for managing the collections. The remainder of the collections are remitted to Waste Pro of Florida, Inc. Collections remitted to Waste Pro of Florida amounted to approximately \$3 million for the year ended September 30, 2020.

Grants

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

CITY OF CRESTVIEW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

Grants (Continued)

In September 2004, Hurricane Ivan impacted Northwest Florida, including the City with considerable damage. Many of the expenses incurred for debris removal and other repairs were reimbursed to the City through grant funding from the Federal Emergency Management Agency (FEMA). In 2005, FEMA reimbursed the City for most of the expenses incurred, but then later determined that certain expenses did not qualify for reimbursement according to the grant. FEMA has notified the City that the City will be responsible for those expenses determined not to be reimbursable. The City will not know the exact amount of funds that are to be repaid to FEMA until FEMA has performed a final close-out audit. The City has estimated the liability to FEMA for non-reimbursable expenses to be \$485,655. This amount is included in Due to other governments on the accompanying financial statements.

NOTE 14 - IMPACT OF COVID-19

In March of 2020, Coronavirus Disease 2019 (COVID-19) was declared a pandemic by the World Health Organization. COVID-19 is having a significant impact on global markets driven by supply chain and production disruptions, workforce restrictions, travel restrictions, reduced consumer spending, amongst other factors, which are negatively affecting companies' financial performance, liquidity and cash flow projections.

To mitigate the financial impact of COVID-19, the City immediately froze non-essential spending. Only necessary items and items of extreme importance to the daily operations and activities of the City were allowed. Approximately \$4.3 million of Coronavirus Relief Fund monies was received, which covered the payroll expenses of public safety employees who were substantially dedicated to the COVID-19 public health emergency. During this time, the City developed a Small Business Recovery Grant with the intent of providing relief to small businesses impacted by the safer-at-home executive order. Specific criteria were required to be eligible. The grants were funded by the City's business tax receipt collections as well as monies donated by various local business and/or banks. The monies donated to the City totaled \$26,000. The City was able to assist approximately sixty eight (68) area businesses, which amounted to approximately \$100,000 in grants disbursed.

The full extent of the impact of COVID-19 on the City's operations and fiscal performance are undeterminable at this time and will depend on the duration of the virus and its potential spread as well as economical mitigation measures that could potentially be taken by federal and state government.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CRESTVIEW, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
SEPTEMBER 30, 2020
LAST 10 FISCAL YEARS**

	2020	2019
Total OPEB liability:		
Service cost	\$ 110,071	\$ 107,956
Interest	55,819	48,482
Differences between expected and actual experience	-	(99,269)
Changes of assumptions	88,837	(36,901)
Benefit payments	(17,220)	(20,602)
Net change in total OPEB liability	237,507	(334)
Total OPEB liability - beginning of year	1,233,831	1,234,165
Total OPEB liability - ending of year	\$ 1,471,338	\$ 1,233,831
 Covered payroll (projected)	 \$ 10,002,787	 \$ 9,414,388
 Total OPEB liability as a percentage of covered employee payroll	 14.71%	 13.11%

*Information is presented for those years in which information is available.

Notes to Schedule

Covered payroll was projected one year forward from the valuation date for the reporting period ended September 30, 2020.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

September 30, 2020:	3.58%
September 30, 2019:	4.18%
September 30, 2018:	3.64%

The City did not provide actual net benefits for the fiscal year ended on September 30, 2020. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

CITY OF CRESTVIEW, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS -
GENERAL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS *

	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability								
Service cost	\$ 667,898	\$ 611,990	\$ 555,982	\$ 522,311	\$ 565,716	\$ 536,574	\$ 538,171	\$ 498,306
Interest	1,555,250	1,518,916	1,462,086	1,336,940	1,310,682	1,240,902	1,163,671	1,085,340
Differences between expected and actual experience	368,023	(197,435)	(407,213)	557,747	(372,488)	(196,887)	-	-
Changes in assumptions	32,218	-	570,521	585,568	152,935	-	-	-
Benefit payments, including refund of employee contributions	(2,175,488)	(800,956)	(761,657)	(823,522)	(668,726)	(806,243)	(663,463)	(625,281)
Net change	447,901	1,132,515	1,419,719	2,179,044	988,119	774,346	1,038,379	958,365
Total pension liability, beginning	21,871,565	20,739,050	19,319,331	17,140,287	16,152,168	15,377,822	14,339,443	13,381,078
Total pension liability, ending (a)	<u>\$ 22,319,466</u>	<u>\$ 21,871,565</u>	<u>\$ 20,739,050</u>	<u>\$ 19,319,331</u>	<u>\$ 17,140,287</u>	<u>\$ 16,152,168</u>	<u>\$ 15,377,822</u>	<u>\$ 14,339,443</u>
Plan fiduciary net position								
Contributions - Employer	\$ 629,053	\$ 455,980	\$ 343,359	\$ 248,704	\$ 298,505	\$ 556,922	\$ 756,791	\$ 779,531
Contributions - Employee	317,003	303,409	285,401	269,713	263,011	246,579	240,968	242,185
Net investment income	1,721,236	909,926	1,522,216	2,050,466	1,172,257	(319,164)	1,396,846	1,537,348
Benefit payments, including refund of employee contributions	(2,175,488)	(800,956)	(761,657)	(823,522)	(668,726)	(806,243)	(663,463)	(625,281)
Administrative expense	(55,909)	(58,103)	(55,635)	(56,085)	(45,495)	(43,915)	(35,530)	(31,453)
Other	-	-	-	-	-	-	44,105	-
Net change	435,895	810,256	1,333,684	1,689,276	1,019,552	(365,821)	1,739,717	1,902,330
Plan fiduciary net position, beginning	20,459,160	19,648,904	18,315,220	16,625,944	15,606,392	15,972,213	14,232,496	12,330,166
Plan fiduciary net position, ending (b)	<u>20,895,055</u>	<u>20,459,160</u>	<u>19,648,904</u>	<u>18,315,220</u>	<u>16,625,944</u>	<u>15,606,392</u>	<u>15,972,213</u>	<u>14,232,496</u>
Net pension liability, ending (a) - (b)	<u>\$ 1,424,411</u>	<u>\$ 1,412,405</u>	<u>\$ 1,090,146</u>	<u>\$ 1,004,111</u>	<u>\$ 514,343</u>	<u>\$ 545,776</u>	<u>\$ (594,391)</u>	<u>\$ 106,947</u>
Plan fiduciary net position as a percentage of the total pension liability	93.62%	93.54%	94.74%	94.80%	97.00%	96.62%	103.87%	99.25%
Covered employee payroll	\$ 4,953,172	\$ 4,740,758	\$ 4,459,380	\$ 4,214,265	\$ 4,109,545	\$ 3,852,802	\$ 3,765,128	\$ 3,784,133
Net pension liability as a percentage of covered employee payroll	28.76%	29.79%	24.45%	23.83%	12.52%	14.17%	-15.79%	2.83%

*Information provided above was obtained from an actuarial valuation. Information prior to fiscal year 2013 was not available.

CITY OF CRESTVIEW, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS -
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN
LAST 10 FISCAL YEARS *

	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability								
Service cost	\$ 829,996	\$ 810,126	\$ 781,326	\$ 736,601	\$ 675,767	\$ 650,319	\$ 704,926	\$ 645,804
Interest	1,630,907	1,557,188	1,494,147	1,401,536	1,205,985	1,207,893	1,142,097	1,050,053
Differences between expected and actual experience	211,677	(355,584)	(254,535)	226,022	293,542	(1,131,354)	-	-
Changes of benefit terms	-	(3,124)	-	-	-	-	102,466	-
Contributions - buy back	-	-	18,708	-	-	-	-	-
Changes in assumptions	(72,480)	-	635,050	1,144,118	337,452	-	-	-
Share plan allocation	110,280	119,721	113,414	88,474	775,763	-	-	-
Other	-	-	-	-	-	-	36,400	-
Change in excess State money	-	-	-	(9,059)	(798,033)	102,691	110,979	-
Benefit payments, including refund of employee contributions	(1,040,702)	(1,228,318)	(1,286,243)	(1,191,193)	(618,732)	(933,578)	(1,079,145)	(334,643)
Net change	1,669,678	900,009	1,501,867	2,396,499	1,871,744	(104,029)	1,017,723	1,361,214
Total pension liability, beginning	22,185,627	21,285,618	19,783,751	17,387,252	15,515,508	15,619,537	14,601,814	13,240,600
Total pension liability, ending (a)	<u>\$ 23,855,305</u>	<u>\$ 22,185,627</u>	<u>\$ 21,285,618</u>	<u>\$ 19,783,751</u>	<u>\$ 17,387,252</u>	<u>\$ 15,515,508</u>	<u>\$ 15,619,537</u>	<u>\$ 14,601,814</u>
Plan fiduciary net position								
Contributions - Employer	\$ 537,980	\$ 378,613	\$ 121,687	\$ 121,961	\$ 111,296	\$ 429,649	\$ 576,763	\$ 746,119
Contributions - State	339,563	352,151	343,741	310,487	300,086	296,275	296,686	291,738
Contributions - Employee	304,695	295,647	288,434	278,697	267,931	255,354	235,503	264,486
Contributions - buy back	-	-	18,708	-	-	-	-	-
Net investment income	1,661,513	778,906	1,519,422	2,132,311	1,072,929	(374,169)	1,512,913	1,596,346
Benefit payments, including refund of employee contributions	(1,040,702)	(1,228,318)	(1,286,243)	(1,191,193)	(618,732)	(933,578)	(1,079,145)	(334,643)
Administrative expense	(69,573)	(62,363)	(66,003)	(70,281)	(47,835)	(46,407)	(37,041)	(30,354)
Other	-	-	-	-	-	-	(44,105)	-
Net change	1,733,476	514,636	939,746	1,581,982	1,085,675	(372,876)	1,461,574	2,533,692
Plan fiduciary net position, beginning	20,525,444	20,010,808	19,071,062	17,489,080	16,403,405	16,776,281	15,314,707	12,781,015
Plan fiduciary net position, ending (b)	<u>22,258,920</u>	<u>20,525,444</u>	<u>20,010,808</u>	<u>19,071,062</u>	<u>17,489,080</u>	<u>16,403,405</u>	<u>16,776,281</u>	<u>15,314,707</u>
Net pension liability, ending (a) - (b)	<u>\$ 1,596,385</u>	<u>\$ 1,660,183</u>	<u>\$ 1,274,810</u>	<u>\$ 712,689</u>	<u>\$ (101,828)</u>	<u>\$ (887,897)</u>	<u>\$ (1,156,744)</u>	<u>\$ (712,893)</u>
Plan fiduciary net position as a percentage of the total pension liability	93.31%	92.52%	94.01%	96.40%	100.59%	105.72%	107.41%	104.88%
Covered employee payroll	\$ 4,760,860	\$ 4,619,494	\$ 4,506,775	\$ 4,354,635	\$ 4,186,426	\$ 3,989,908	\$ 3,701,314	\$ 4,132,599
Net pension liability as a percentage of covered employee payroll	33.53%	35.94%	28.29%	16.37%	-2.43%	-22.25%	-31.25%	-17.25%

* Information provided above was obtained from an actuarial valuation. Information prior to fiscal year 2013 was not available.

**CITY OF CRESTVIEW, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
GENERAL EMPLOYEES' RETIREMENT PLAN
LAST 10 FISCAL YEARS ***

	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 629,053	\$ 497,780	\$ 379,047	\$ 248,642	\$ 304,106	\$ 473,895	\$ 756,791	\$ 779,531
Contributions in relation to the actuarially determined contributions	629,053	455,980	343,359	248,704	298,505	556,922	756,791	779,531
Contributions deficiency (excess)	\$ -	\$ 41,800	\$ 35,688	\$ (62)	\$ 5,601	\$ (83,027)	\$ -	\$ -
Covered employee payroll	\$ 4,953,172	\$ 4,740,758	\$ 4,459,380	\$ 4,214,265	\$ 4,109,545	\$ 3,852,802	\$ 3,765,128	\$ 3,784,133
Contributions as a percentage of covered employee payroll	12.70%	9.62%	7.70%	5.90%	7.26%	14.45%	20.10%	20.60%

Notes to schedule:

Valuation Date 10/1/2018
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method	Entry age normal actuarial cost method												
Actuarial asset method	Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.												
Amortization method	Level of percentage of pay, closed.												
Remaining amortization period	20 years (as of 10/01/2016)												
Inflation	2.5% per year												
Salary increases	<table border="1"> <thead> <tr> <th>Service</th> <th>Increase</th> </tr> </thead> <tbody> <tr><td>0</td><td>10.0%</td></tr> <tr><td>1 - 2</td><td>7.5%</td></tr> <tr><td>3 - 10</td><td>6.0%</td></tr> <tr><td>11 - 19</td><td>5.0%</td></tr> <tr><td>20+</td><td>4.0%</td></tr> </tbody> </table>	Service	Increase	0	10.0%	1 - 2	7.5%	3 - 10	6.0%	11 - 19	5.0%	20+	4.0%
Service	Increase												
0	10.0%												
1 - 2	7.5%												
3 - 10	6.0%												
11 - 19	5.0%												
20+	4.0%												
Payroll growth	3% per year												
Interest rate	7.75% per year compounded annually, net of investment related expenses.												
Retirement age	<table border="1"> <thead> <tr> <th>Age</th> <th>Rate</th> </tr> </thead> <tbody> <tr><td>55-57</td><td>20.0%</td></tr> <tr><td>58-64</td><td>25.0%</td></tr> <tr><td>65+</td><td>100.0%</td></tr> </tbody> </table>	Age	Rate	55-57	20.0%	58-64	25.0%	65+	100.0%				
Age	Rate												
55-57	20.0%												
58-64	25.0%												
65+	100.0%												

Early retirement	None
Termination rates	See table below
Disability rates	See table below
Mortality	<p><i>Healthy Lives:</i> Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.</p> <p><i>Disabled Lives:</i> Female: 100% RP2000 Disabled Female set forward two years. Male: 100% RP2000 Disabled Male setback four years.</p>

Other information	Termination Rates Table		Disability Rates Table	
	Service	Rate	Service	Rate
	0-1	25.0%	20	0.026%
	2	20.0%	30	0.029%
	3	15.0%	40	0.061%
	4	10.0%	50	0.215%
	5	9.5%		
	6	9.0%		
	7	8.5%		
	8	8.0%		
	9	7.5%		
	10	7.0%		
	11	6.5%		
	12	6.0%		
	13	5.5%		
	14	5.0%		
	15	4.5%		
	16+	4.0%		

* Information provided above was obtained from an actuarial valuation.
Information prior to fiscal year 2013 was not available.

CITY OF CRESTVIEW, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS -
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN
LAST 10 FISCAL YEARS *

	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 785,542	\$ 632,870	\$ 432,650	\$ 326,598	\$ 322,355	\$ 542,628	\$ 762,470	\$ 929,835
From excess state money reserve	-	-	-	-	102,941	-	-	-
Contributions in relation to the actuarially determined contributions	767,263	611,043	352,014	353,034	330,709	623,233	762,470	929,835
Contributions deficiency (excess)	\$ 18,279	\$ 21,827	\$ 80,636	\$ (26,436)	\$ (111,295)	\$ (80,605)	\$ -	\$ -
Covered employee payroll	\$ 4,760,860	\$ 4,619,494	\$ 4,506,775	\$ 4,354,635	\$ 4,186,726	\$ 3,989,908	\$ 3,701,314	\$ 4,132,599
Contributions as a percentage of covered employee payroll	16.12%	13.23%	7.81%	8.11%	7.90%	15.62%	20.60%	22.50%

Notes to schedule:

Valuation Date 10/1/2018
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method Frozen entry age actuarial cost method
Actuarial asset method Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Amortization method Level of percentage of pay, closed.
Remaining amortization period 20 years (as of 10/01/2016)
Inflation 2.5% per year
Salary increases 6.5% per year until the assumed retirement age
Payroll growth 3% per year
Interest rate 8% per year compounded annually, net of investment related expenses.
Retirement age Earlier of age 55 and 10 years of service or age 52 and 25 years of service. Any member who has reached normal retirement age on the valuation date is assumed to continue employment for one additional year.
Early retirement Commencing with the earliest retirement age (45). Members are assumed to retire with immediate subsidized benefit at the rate of 5% per year.
Termination rates See table below
Disability rates See table below
Mortality *Healthy Lives:*
Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.
Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.
Disabled Lives:
Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.
Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

Other information

Termination and Disability Rate Tables		
Age	% Terminating	% becoming disabled during the year
20	15.0%	0.14%
30	12.5%	0.18%
40	6.5%	0.30%
50	2.0%	1.00%

* Information provided above was obtained from an actuarial valuation. Information prior to fiscal year 2013 was not available.

**CITY OF CRESTVIEW, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS -
 GENERAL EMPLOYEES' RETIREMENT PLAN
 LAST 10 FISCAL YEARS ***

For the year ended September 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expense	8.65%	4.64%	8.35%	12.40%	7.54%	-1.99%	9.70%	12.28%

* Information provided above was obtained from an actuarial valuation. Information prior to fiscal year 2013 was not available.

**CITY OF CRESTVIEW, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS -
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN
LAST 10 FISCAL YEARS ***

For the year ended September 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expense	8.12%	3.94%	8.12%	12.45%	6.60%	-2.25%	9.92%	12.04%

* Information provided above was obtained from an actuarial valuation. Information prior to fiscal year 2013 was not available.

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COMBINING FINANCIAL STATEMENTS

CITY OF CRESTVIEW, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Law Enforcement Trust Fund - To account for proceeds collected under the Florida Contraband Forfeiture Act. The proceeds are to be used solely for law enforcement purposes, with emphasis given to crime prevention, safe neighborhoods, and drug abuse prevention programs.

Community Redevelopment Agency - To account for the operation of the Agency overseeing the redevelopment of the designated redevelopment areas. The Agency is funded by property taxes collected in the Agency's designated area.

Building & Permitting Fund - To account for revenues derived from building permits and inspection fees that are legally restricted for enforcing the Florida Building Code.

Debt Service Fund

The Debt Service Fund is used to accumulate monies for payment of the Public Improvement Refunding Bonds, Series 2015, with remaining principal and interest due annually on March 1 until maturity in September 2041.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Library Fund - To account for a donation to the City to purchase library books. The interest is used to purchase books for the City's public library.

**CITY OF CRESTVIEW, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	Special Revenue Funds					Total
	Law Enforcement Trust	Community Redevelopment Agency	Building & Permitting	Debt Service	Permanent Fund	
ASSETS						
Cash and cash equivalents	\$ 4,493	\$ 1,086,498	\$ 864,467	\$ 294,897	\$ 2,913	\$ 2,253,268
Cash and cash equivalents - restricted	-	-	-	23,895	-	23,895
Investments	-	-	-	-	52,599	52,599
Total Assets	<u>\$ 4,493</u>	<u>\$ 1,086,498</u>	<u>\$ 864,467</u>	<u>\$ 318,792</u>	<u>\$ 55,512</u>	<u>\$ 2,329,762</u>
LIABILITIES						
Accounts payable	\$ -	\$ 133,207	\$ 1,014	\$ -	\$ -	\$ 134,221
Accrued liabilities	-	-	8,241	6,892	-	15,133
Total Liabilities	<u>-</u>	<u>133,207</u>	<u>9,255</u>	<u>6,892</u>	<u>-</u>	<u>149,354</u>
FUND BALANCES						
Nonspendable	-	-	-	-	54,219	54,219
Restricted	-	-	-	311,900	1,293	313,193
Assigned	4,493	953,291	855,212	-	-	1,812,996
Total Fund Balances	<u>4,493</u>	<u>953,291</u>	<u>855,212</u>	<u>311,900</u>	<u>55,512</u>	<u>2,180,408</u>
Total Liabilities and Fund Balances	<u>\$ 4,493</u>	<u>\$ 1,086,498</u>	<u>\$ 864,467</u>	<u>\$ 318,792</u>	<u>\$ 55,512</u>	<u>\$ 2,329,762</u>

See independent auditor's report.

**CITY OF CRESTVIEW, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2020**

	Special Revenue Funds					Total
	Law Enforcement Trust	Community Redevelopment Agency	Building & Permitting	Debt Service	Permanent Fund	
Revenues:						
Taxes	\$ -	\$ 126,348	\$ -	\$ -	\$ -	\$ 126,348
License and permits	-	-	561,371	287,592	-	848,963
Interest income	-	6,544	-	-	520	7,064
Miscellaneous	3,500	-	-	-	-	3,500
Total revenues	<u>3,500</u>	<u>132,892</u>	<u>561,371</u>	<u>287,592</u>	<u>520</u>	<u>985,875</u>
Expenditures:						
Current:						
General government	-	66,951	529,727	1,500	-	598,178
Public safety	2,995	-	-	-	-	2,995
Culture and recreation	-	230,000	-	-	-	230,000
Capital outlay	14,800	279,357	-	-	-	294,157
Debt service:						
Principal	-	-	-	195,000	-	195,000
Interest	-	-	-	92,126	-	92,126
Total expenditures	<u>17,795</u>	<u>576,308</u>	<u>529,727</u>	<u>288,626</u>	<u>-</u>	<u>1,412,456</u>
Excess (deficiency) revenues over (under) expenditures	<u>(14,295)</u>	<u>(443,416)</u>	<u>31,644</u>	<u>(1,034)</u>	<u>520</u>	<u>(426,581)</u>
Other Financing Sources (Uses):						
Transfers in	-	145,840	823,568	52,955	-	1,022,363
Transfers out	-	-	-	(52,955)	-	(52,955)
Total other financing sources (uses)	<u>-</u>	<u>145,840</u>	<u>823,568</u>	<u>-</u>	<u>-</u>	<u>969,408</u>
Net change in fund balances	<u>(14,295)</u>	<u>(297,576)</u>	<u>855,212</u>	<u>(1,034)</u>	<u>520</u>	<u>542,827</u>
Fund Balances:						
Beginning of year	<u>18,788</u>	<u>1,250,867</u>	<u>-</u>	<u>312,934</u>	<u>54,992</u>	<u>1,637,581</u>
End of year	<u>\$ 4,493</u>	<u>\$ 953,291</u>	<u>\$ 855,212</u>	<u>\$ 311,900</u>	<u>\$ 55,512</u>	<u>\$ 2,180,408</u>

See independent auditor's report.

COMPLIANCE SECTION

**CITY OF CRESTVIEW, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Disbursements/ Expenditures
The Department of the Treasury Passed through Florida Division of Emergency Management Passed through Okaloosa County, Florida			
COVID-19 - Coronavirus Relief Fund	21.019	SLT0050	\$ 4,255,764
Total Federal Awards			\$ 4,255,764

Note 1: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Note 2: The City does not have an indirect cost agreement nor use the 10% de minimis indirect cost rate.

See the accompanying notes.

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

To the Honorable Mayor and Members of the
City Council
City of Crestview, 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 City of Crestview, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fort Walton Beach, Florida
June 17, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Fort Walton Beach, Florida
June 17, 2021

**CITY OF CRESTVIEW, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Crestview, Florida.
2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Crestview, Florida, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for the City of Crestview, Florida expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award program for the City of Crestview, Florida that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was:

Coronavirus Relief Fund (CFDA #21.019)
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City of Crestview, Florida was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

**CITY OF CRESTVIEW, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020
(Continued)**

C. SUMMARY OF PRIOR AUDIT FINDINGS

Finding 2019-001: Financial Reporting Deadline

According to Section 218.32(1)(d), Florida Statutes, the audit report should be filed no later than 45 days after the completion of the audit report but no later than 9 months after the end of the fiscal year. Due to delays as a result of the Coronavirus Disease 2019, the fiscal year 2019 audit report was not filed on time.

Current Status:

The City anticipates the fiscal year 2020 audit report will be filed timely.

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Crestview, Florida (the City), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 17, 2021.

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; the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.550 Rules of the Florida 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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, which are dated June 17, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. We are unable to determine if corrective actions have been taken to address Finding 2019-001 as the audit report filing date is subsequent to the issuance of the fiscal year 2020 audit report. However, it is management's intention to file the audit report on time. Prior year's delay was due to COVID-19.

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

Official Title and Legal Authority

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

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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 same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. We have the following recommendation:

Budget Recommendation

At September 30, 2020, in the General Fund, we noted actual expenditures exceeded budgeted expenditures by approximately \$7 million, which appeared to be an administrative oversight. The City received bond proceeds in the amount of \$10 million, which was also not in the City's approved budget. The over-expenditures consisted of unbudgeted capital expenditures, which were funded by the bond proceeds. The City obtained City Council's approval for both the bond issue and the capital expenditures, but a budget amendment was not presented to City Council for approval. We recommend management present budget amendments to City Council when unbudgeted expenditures are presented for approval.

Management's response:

Management accepts and agrees with this recommendation. The lack of a budget amendment for the bond proceeds was an absolute oversight on behalf of the City. The City has created a Budget Analyst position to monitor all aspects of the budget process and any subsequent required amendments. We do not foresee this being an issue in the future.

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

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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Fort Walton Beach, Florida
June 17, 2021

**INDEPENDENT ACCOUNTANT'S REPORT
ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor, City Council Members
City of Crestview, Florida

We have examined the City of Crestview, Florida's (the City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020. 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 with Section 218.415, Florida Statutes, in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including as assessment of risks of material misstatement, 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.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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.



Fort Walton Beach, Florida
June 17, 2021