

CITY OF CRYSTAL RIVER, FLORIDA

FINANCIAL REPORT

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

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CITY OF CRYSTAL RIVER, FLORIDA

FINANCIAL REPORT
SEPTEMBER 30, 2014

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CITY OF CRYSTAL RIVER, FLORIDA

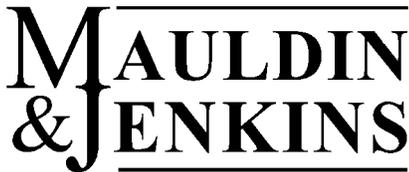
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CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the Required Supplementary Information on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and by Section 215.97, Florida Statutes, and is also not a required part of the basic financial statements of the City of Crystal River, Florida.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance 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 schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
June 24, 2015

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CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

As management of the City of Crystal River, Florida, (the City) we offer readers of the City of Crystal River, Florida's financial statements this narrative overview and analysis of the financial activities of the City of Crystal River, Florida for the fiscal year ended September 30, 2014.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 12 - 14 of this report.

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

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Crystal River, Florida maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Improvement Fund, and Community Redevelopment, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Crystal River adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund and capital improvements fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 -19 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 20 - 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 45 of this report.

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Combining and individual fund statements can be found on pages 47-48 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Crystal River, Florida, assets exceeded liabilities by \$45,010,116 at the close of the most recent fiscal year.

By far the largest portion of the City of Crystal River, Florida's net position, 71%, reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

City of Crystal River, Florida's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 7,535,526	\$ 8,570,587	\$ 6,839,383	\$ 6,646,862	\$ 14,374,909	\$ 15,217,449
Capital assets	11,319,965	10,092,694	27,181,176	20,586,479	38,501,141	30,679,173
Total assets	18,855,491	18,663,281	34,020,559	27,233,341	52,876,050	45,896,622
Total deferred outflows of resources	-	-	85,056	103,952	85,056	103,952
Other liabilities	188,906	972,562	1,204,964	5,340,591	1,393,870	6,313,153
Long-term liabilities	151,505	90,501	6,405,615	1,593,927	6,557,120	1,684,428
Total liabilities	340,411	1,063,063	7,610,579	6,934,518	7,950,990	7,997,581
Net position:						
Net investment in capital assets	11,319,965	10,092,694	20,775,561	14,553,869	32,095,526	24,646,563
Restricted	3,165,092	6,439,456	54,938	3,041,734	3,220,030	9,481,190
Unrestricted	4,030,023	1,068,068	5,664,537	2,807,172	9,694,560	3,875,240
Total net position	\$ 18,515,080	\$ 17,600,218	\$ 26,495,036	\$ 20,402,775	\$ 45,010,116	\$ 38,002,993

An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining \$9,694,560 balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF CRYSTAL RIVER, FLORIDA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

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

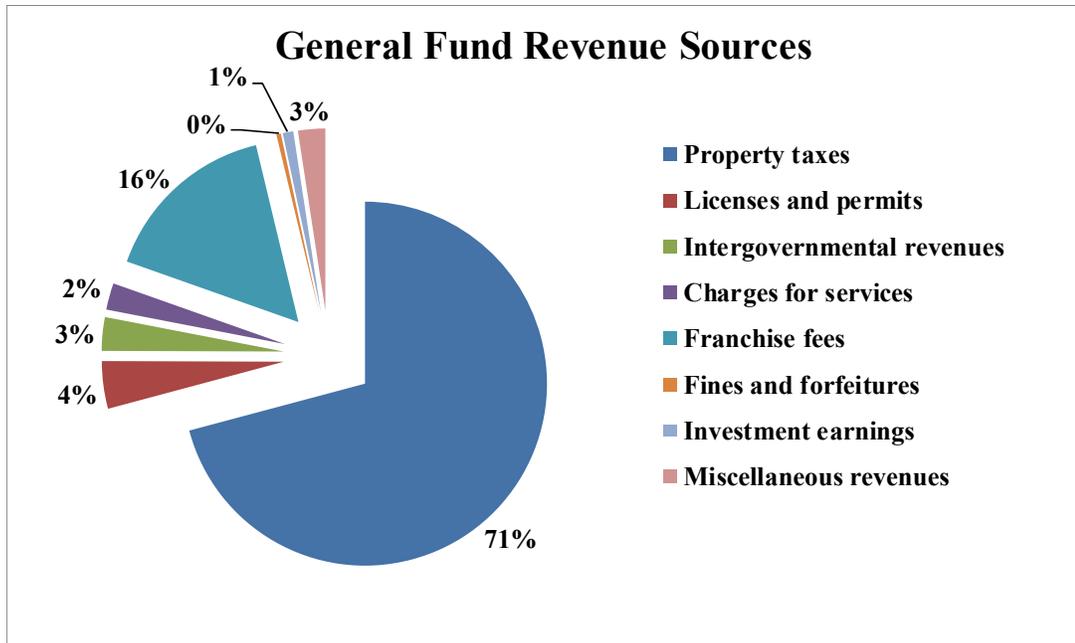
Governmental activities. Governmental activities increased the City of Crystal River, Florida's net position by \$914,862.

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

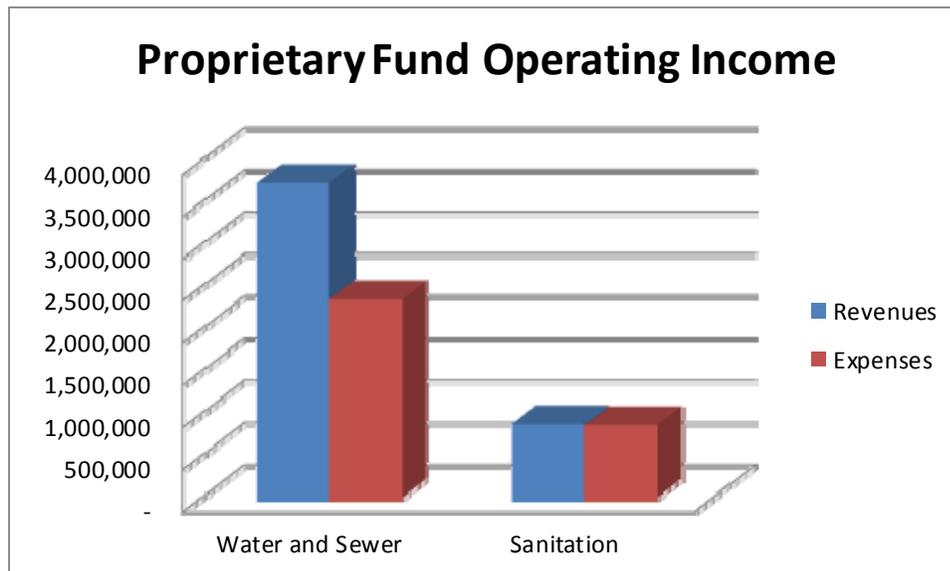
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 320,526	\$ 1,130,692	\$ 4,610,750	\$ 5,010,339	\$ 4,931,276	\$ 6,141,031
Operating grants and contributions	113,000	181,522	-	-	113,000	181,522
Capital grants and contributions	536,406	152,289	4,989,939	1,963,492	5,526,345	2,115,781
General revenues:						
Property taxes	3,195,641	1,613,162	-	-	3,195,641	1,613,162
Other taxes	839,824	1,713,838	-	-	839,824	1,713,838
Other	139,082	23,521	43,249	(370,304)	182,331	(346,783)
Total revenues	<u>5,144,479</u>	<u>4,815,024</u>	<u>9,643,938</u>	<u>6,603,527</u>	<u>14,788,417</u>	<u>11,418,551</u>
Operating Expenses:						
General government	1,241,359	780,885	-	-	1,241,359	780,885
Public safety	1,349,757	1,334,959	-	-	1,349,757	1,334,959
Highways and streets	1,230,840	1,331,717	-	-	1,230,840	1,331,717
Culture and recreation	313,240	161,055	-	-	313,240	161,055
Economic development	272,194	200,169	-	-	272,194	200,169
Interest	-	-	-	-	-	-
Water and Sewer	-	-	2,509,320	3,303,740	2,509,320	3,303,740
Sanitation	-	-	864,584	857,031	864,584	857,031
Total operating expenses	<u>4,407,390</u>	<u>3,808,785</u>	<u>3,373,904</u>	<u>4,160,771</u>	<u>7,781,294</u>	<u>7,969,556</u>
Increase in net position before transfers	737,089	1,006,239	6,270,034	2,442,756	7,007,123	3,448,995
Transfers	<u>177,773</u>	<u>188,509</u>	<u>(177,773)</u>	<u>(172,595)</u>	<u>-</u>	<u>-</u>
Change in net position	914,862	1,194,748	6,092,261	2,270,161	7,007,123	3,448,995
Net position, beginning	<u>17,600,218</u>	<u>16,405,470</u>	<u>20,402,775</u>	<u>18,132,614</u>	<u>38,002,993</u>	<u>34,538,084</u>
Net position, ending	<u>\$ 18,515,080</u>	<u>\$ 17,600,218</u>	<u>\$ 26,495,036</u>	<u>\$ 20,402,775</u>	<u>\$ 45,010,116</u>	<u>\$ 37,987,079</u>

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014



Business-type activities. Business-type activities increased the City of Crystal River, Florida's net position by \$6,092,261.



Financial Analysis of the Government's Funds

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

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

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

As of the end of the current fiscal year, the City of Crystal River, Florida's governmental funds reported combined ending fund balances of \$7,346,620 a decrease of \$275,405 in comparison with the prior year. Of the total, \$2,072,775 or 28% constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *nonspendable, restricted or committed* to indicate that it is not available for new spending because it has already been set aside for other purposes.

The general fund is the chief operating fund of the City of Crystal River. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$2,073,744, while total fund balance reached \$4,229,606. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 57% of total general fund expenditures, while total fund balance represents 116% of that same amount.

The fund balance of the City's general fund decreased by \$421,453 during the current fiscal year, as shown on page 16. This was primarily due to an additional transfer of \$325,000 from the general fund operating fund to the general fund improvement fund to cover the City's portion of the completion Cutler Spur - a three-year CIP project. Also, Council agreed during the adoption of the FY2014 budget to transfer \$117,000 from reserves to balance the budget. Overall, the general fund revenues collected were in line with expectations.

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

The water and sewer fund shows revenues greater than expenditures for the year. The water and sewer fund includes the revenues and expenses for the Disadvantaged Small Communities Grant for sewer expansion in areas 112/113/114 and Harbor Isle as well as the activity for the Effluent Reclaimed Water Project. The sewer expansion revenues collected in FY2014 exceeded expectations by \$403,502. The Disadvantaged Small Community Grant wrapped up in FY2014. The project covered a period of several years with final revenue collections received in FY2014 with minimum expenditures related to that project. The Effluent Reclaimed Water Project was fully underway during FY2014. This project received funding of a fifty percent contribution from SWFWMD along with funding of \$1,117,742 from Department of Environmental Protection and funding of \$302,440 from Duke Power for the year FY2014. The City's share of the funding came from sewer expansion revenues accumulated over time.

CITY OF CRYSTAL RIVER, FLORIDA

**MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

Capital Improvements Fund Budgetary Highlights

During the year there was an increase between the original budget and the final amended budget due to several projects that began in FY2013 and were not completed; as a result, the remaining budget was rolled forward to FY2014. Such projects included the construction of a performance stage for Kings Bay Park, modifications to Cutler Spur, several storm water projects as well as the design for Hunter Springs Park improvements that had been postponed for several years.

Capital Asset and Debt Administration

Capital assets. The City of Crystal River, Florida’s investment in capital assets for its governmental and business type activities as of September 30, 2014, amounts to \$38,501,141 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities and roads. The total increase in the City's investment in capital assets for the current fiscal year was 25% (a 12% increase for governmental activities and a 32% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- While we added \$7,008,560 of Construction in Progress in the Water and Sewer Fund, primarily due to the Effluent Reclaimed Water Project and several waterline replacement projects, we also finalized and began capitalization of \$3,791,340 from the sewer expansion construction in Area 114.
- The City finalized the design and began the construction of a \$6.5 million Effluent Reclaimed Water Project in FY2014 that originated in FY2013. The City entered into an agreement in FY2010 with Duke Energy to install a reclaimed water line system from its current sprayfield location west to the Duke Energy Power Generation Complex, where the effluent will be used in lieu of groundwater withdrawal within the gas flue desulphurization process associated with the operation of two coal plants CR4 and CR5. The City received grant funding from SWFWMD (50% of project cost) along with grant funding from Department of Environmental Protection and Duke Power to assist with the pipe line. The completion of this project is expected in June 2015.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,364,370	\$ 2,095,392	\$ 616,898	\$ 616,898	\$ 2,981,268	\$ 2,712,290
Construction in progress	3,158,603	1,843,803	7,761,700	4,608,619	10,920,303	6,452,422
Buildings and improvements	2,436,200	2,489,858	9,054,594	10,616,454	11,490,794	13,106,312
Equipment and vehicles	836,938	944,253	1,721,047	699,193	2,557,985	1,643,446
Infrastructure	2,523,854	2,719,388	8,026,937	4,045,318	10,550,791	6,764,706
Total capital assets	<u>\$ 11,319,965</u>	<u>\$ 10,092,694</u>	<u>\$ 27,181,176</u>	<u>\$ 20,586,482</u>	<u>\$ 38,501,141</u>	<u>\$ 30,679,176</u>

CITY OF CRYSTAL RIVER, FLORIDA

**MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

Additional information on the City of Crystal River, Florida’s capital assets can be found in Note 5 on pages 37-38 of this report.

Long-term debt. At the end of the current fiscal year, the City of Crystal River had total bonded debt outstanding of \$4,753,000. This debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The City also had a total state revolving loan debt outstanding of \$1,652,615 for the sewer expansion project. Additional information can be found in Note 6 on pages 37-38.

City of Crystal River, Florida’s Debt Outstanding

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Net OPEB obligation	\$ 88,000	\$ 80,000	\$ -	\$ -	\$ 88,000	\$ 80,000
Compensated absences	63,505	34,501	-	-	63,505	34,501
Bonds payable	-	-	4,753,000	4,932,000	4,753,000	4,932,000
Notes payable	-	-	1,652,615	1,100,610	1,652,615	1,100,610
Total debt	<u>\$ 151,505</u>	<u>\$ 114,501</u>	<u>\$ 6,405,615</u>	<u>\$ 6,032,610</u>	<u>\$ 6,557,120</u>	<u>\$ 6,147,111</u>

Economic Factors

- ➔ Rate increases for water usage and sewer usage were implemented in FY2013 and will continue to increase 3% each year through the year 2016 based on a rate study completed in FY2012.
- ➔ Ad Valorem tax reduction has impacted our general fund revenues.
- ➔ Health care insurance premiums remained the same, but FRS pension requirements for the City increased slightly for FY2014.
- ➔ Interest rates have fallen significantly on money placed on deposit with SBA and local bank accounts. The City maintains \$1,073,035.90 in short-term CD’s in order to earn a slightly higher rate of interest on funds.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,237,688	\$ 2,818,594	\$ 8,056,282
Investments	1,157,984	49,183	1,207,167
Accounts receivables, net	141,734	1,091,163	1,232,897
Notes receivable	-	762,113	762,113
Due from other governments	60,453	2,443,121	2,503,574
Internal balances	866,476	(866,476)	-
Prepaid items	71,191	31,579	102,770
Inventory	-	259,982	259,982
Restricted asset, cash and cash equivalents	-	250,124	250,124
Capital assets			
Non-depreciable	5,522,973	8,378,598	13,901,571
Depreciable, net	5,796,992	18,802,578	24,599,570
Total assets	18,855,491	34,020,559	52,876,050
Deferred Outflows of Resources			
Deferred charge on refunding	-	85,056	85,056
Liabilities			
Accounts payable	157,389	1,009,778	1,167,167
Accrued liabilities	26,706	-	26,706
Due to other governments	4,811	-	4,811
Accrued interest payable	-	70,936	70,936
Customer deposits payable	-	124,250	124,250
Noncurrent liabilities			
Due within one year	57,154	420,806	477,960
Due in more than one year	94,351	5,984,809	6,079,160
Total liabilities	340,411	7,610,579	7,950,990
Net position			
Net investment in capital assets	11,319,965	20,775,561	32,095,526
Restricted for			
Capital improvements	2,323,652	-	2,323,652
Community development	778,324	-	778,324
Public safety	16,007	-	16,007
Cemetery	47,109	-	47,109
Debt service	-	54,938	54,938
Unrestricted	4,030,023	5,664,537	9,694,560
Total net position	\$ 18,515,080	\$ 26,495,036	\$ 45,010,116

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

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/programs				
Primary Government:				
Governmental activities:				
General government	\$ 1,241,359	\$ 249,336	\$ -	\$ -
Public safety	1,349,757	15,249	-	-
Highways and streets	1,230,840	55,941	113,000	536,406
Culture/recreation	313,240	-	-	-
Economic development	272,194	-	-	-
Total governmental activities	<u>4,407,390</u>	<u>320,526</u>	<u>113,000</u>	<u>536,406</u>
Business-type activities:				
Water and sewer	2,509,320	3,735,385	-	4,989,939
Sanitation	864,584	875,365	-	-
Total business-type activities	<u>3,373,904</u>	<u>4,610,750</u>	<u>-</u>	<u>4,989,939</u>
Total primary government	<u>\$ 7,781,294</u>	<u>\$ 4,931,276</u>	<u>\$ 113,000</u>	<u>\$ 5,526,345</u>

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

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

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (992,023)	\$ -	\$ (992,023)
(1,334,508)	-	(1,334,508)
(525,493)	-	(525,493)
(313,240)	-	(313,240)
(272,194)	-	(272,194)
<u>(3,437,458)</u>	<u>-</u>	<u>(3,437,458)</u>
-	6,216,004	6,216,004
-	10,781	10,781
-	6,226,785	6,226,785
<u>(3,437,458)</u>	<u>6,226,785</u>	<u>2,789,327</u>
3,195,641	-	3,195,641
190,706	-	190,706
48,692	-	48,692
600,426	-	600,426
44,487	43,249	87,736
94,595	-	94,595
177,773	(177,773)	-
<u>4,352,320</u>	<u>(134,524)</u>	<u>4,217,796</u>
914,862	6,092,261	7,007,123
17,600,218	20,402,775	38,002,993
<u>\$ 18,515,080</u>	<u>\$ 26,495,036</u>	<u>\$ 45,010,116</u>

CITY OF CRYSTAL RIVER, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Capital Improvements Fund	Community Redevelopment	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,400,153	\$ 1,961,021	\$ 763,449	\$ 113,065	\$ 5,237,688
Investments	1,139,352	8,757	9,875	-	1,157,984
Accounts receivable, net	123,904	17,830	-	-	141,734
Due from other funds	577,186	290,259	-	-	867,445
Due from other governments	13,000	47,453	-	-	60,453
Prepaid items	69,002	-	2,189	-	71,191
Total assets	<u>\$ 4,322,597</u>	<u>\$ 2,325,320</u>	<u>\$ 775,513</u>	<u>\$ 113,065</u>	<u>\$ 7,536,495</u>
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 62,611	\$ 1,668	\$ 63	\$ 93,047	\$ 157,389
Accrued liabilities	25,569	-	1,137	-	26,706
Due to other governments	4,811	-	-	-	4,811
Due to other funds	-	-	-	969	969
Total liabilities	<u>92,991</u>	<u>1,668</u>	<u>1,200</u>	<u>94,016</u>	<u>189,875</u>
Fund balances					
Nonspendable	69,002	-	-	-	69,002
Restricted					
Capital improvements	-	2,323,652	-	-	2,323,652
Community development	-	-	774,313	4,011	778,324
Public safety	-	-	-	16,007	16,007
Cemetery	47,109	-	-	-	47,109
Committed					
Capital improvements	539,751	-	-	-	539,751
Emergency reserves	1,500,000	-	-	-	1,500,000
Unassigned	2,073,744	-	-	(969)	2,072,775
Total fund balances	<u>4,229,606</u>	<u>2,323,652</u>	<u>774,313</u>	<u>19,049</u>	<u>7,346,620</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,322,597</u>	<u>\$ 2,325,320</u>	<u>\$ 775,513</u>	<u>\$ 113,065</u>	

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 funds.

Governmental capital assets	16,311,488	
Accumulated depreciation	<u>(4,991,523)</u>	11,319,965

Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.

Compensated absences	(63,505)	
OPEB payable	<u>(88,000)</u>	<u>(151,505)</u>
Net position of governmental activities		<u>\$ 18,515,080</u>

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

CITY OF CRYSTAL RIVER, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 2,684,526	\$ -	\$ 511,115	\$ -	\$ 3,195,641
Other taxes	-	190,706	-	-	190,706
Licenses and permits	159,737	-	-	-	159,737
Intergovernmental revenues	113,000	585,098	-	-	698,098
Charges for services	89,599	-	-	-	89,599
Franchise fees	600,426	-	-	-	600,426
Fines and forfeitures	15,249	-	-	-	15,249
Impact fees	-	54,995	-	946	55,941
Investment earnings	35,281	4,684	4,511	11	44,487
Miscellaneous revenues	91,681	-	64	2,850	94,595
Total revenues	<u>3,789,499</u>	<u>835,483</u>	<u>515,690</u>	<u>3,807</u>	<u>5,144,479</u>
Expenditures					
Current					
General government	1,012,826	-	418,521	1,315	1,432,662
Public safety	1,298,608	-	-	-	1,298,608
Highways and streets	828,272	-	-	-	828,272
Economic development	220,400	-	-	-	220,400
Culture/recreation	278,010	-	-	-	278,010
Capital outlay	-	1,539,705	-	-	1,539,705
Total expenditures	<u>3,638,116</u>	<u>1,539,705</u>	<u>418,521</u>	<u>1,315</u>	<u>5,597,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>151,383</u>	<u>(704,222)</u>	<u>97,169</u>	<u>2,492</u>	<u>(453,178)</u>
Other financing sources (uses)					
Transfers in	194,164	767,000	-	-	961,164
Transfers out	(767,000)	-	(16,391)	-	(783,391)
Total other financing sources (uses)	<u>(572,836)</u>	<u>767,000</u>	<u>(16,391)</u>	<u>-</u>	<u>177,773</u>
Change in fund balances	(421,453)	62,778	80,778	2,492	(275,405)
Fund balances, beginning of year, as restated	<u>4,651,059</u>	<u>2,260,874</u>	<u>693,535</u>	<u>16,557</u>	<u>7,622,025</u>
Fund balances, end of year	<u>\$ 4,229,606</u>	<u>\$ 2,323,652</u>	<u>\$ 774,313</u>	<u>\$ 19,049</u>	<u>\$ 7,346,620</u>

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

**CITY OF CRYSTAL RIVER, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net Change in Fund Balances – Total Governmental Funds \$ (275,405)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.

Capital outlay	\$ 1,785,995	
Less current year depreciation	<u>(558,724)</u>	1,227,271

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Change in compensated absences		(29,004)
--------------------------------	--	----------

The change is annual other post employment benefits (OPEB) costs, as required by Governmental Accounting Standards Statement No. 45, does not require the use of current financial resources; therefore, the change is not reported as an expenditure in governmental funds.

		<u>(8,000)</u>
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Change in net position of governmental activities		<u><u>\$ 914,862</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF CRYSTAL RIVER, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 2,732,821	\$ 2,732,821	\$ 2,684,526	\$ (48,295)
Licenses and permits	113,997	113,997	159,737	45,740
Intergovernmental revenues	5,000	118,000	113,000	(5,000)
Charges for services	92,624	92,624	89,599	(3,025)
Franchise fees	594,234	594,234	600,426	6,192
Fines and forfeitures	20,500	20,500	15,249	(5,251)
Investment earnings	22,602	22,602	35,281	12,679
Miscellaneous revenues	25,450	75,450	91,681	16,231
Total revenues	<u>3,607,228</u>	<u>3,770,228</u>	<u>3,789,499</u>	<u>19,271</u>
Expenditures				
Current				
General government	1,078,474	1,113,467	1,012,826	100,641
Public safety	1,429,415	1,529,415	1,298,608	230,807
Highways and streets	945,397	951,773	828,272	123,501
Economic development	215,880	239,151	220,400	18,751
Culture/recreation	125,918	257,461	278,010	(20,549)
Total expenditures	<u>3,795,084</u>	<u>4,091,267</u>	<u>3,638,116</u>	<u>453,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(187,856)</u>	<u>(321,039)</u>	<u>151,383</u>	<u>472,422</u>
Other financing sources (uses)				
Proceeds from the sale of capital assets	3,510	3,510	-	(3,510)
Transfers in	311,365	314,315	194,164	(120,151)
Transfers out	(200,000)	(665,264)	(767,000)	(101,736)
Total other financing sources (uses)	<u>114,875</u>	<u>(347,439)</u>	<u>(572,836)</u>	<u>(225,397)</u>
Change in fund balance	(72,981)	(668,478)	(421,453)	247,025
Fund balance, beginning of year	<u>4,651,059</u>	<u>4,651,059</u>	<u>4,651,059</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,578,078</u>	<u>\$ 3,982,581</u>	<u>\$ 4,229,606</u>	<u>\$ 247,025</u>

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

**CITY OF CRYSTAL RIVER, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 417,864	\$ 417,864	\$ 511,115	\$ 93,251
Investment earnings	3,000	3,000	4,511	1,511
Miscellaneous revenues	64	64	64	-
Total revenues	<u>420,928</u>	<u>420,928</u>	<u>515,690</u>	<u>94,762</u>
Expenditures				
Current				
General government	404,536	404,536	418,521	(13,985)
Total expenditures	<u>404,536</u>	<u>404,536</u>	<u>418,521</u>	<u>(13,985)</u>
Excess of revenues over expenditures	<u>16,392</u>	<u>16,392</u>	<u>97,169</u>	<u>80,777</u>
Other financing uses				
Transfers out	(16,392)	(16,392)	(16,391)	1
Total other financing uses	<u>(16,392)</u>	<u>(16,392)</u>	<u>(16,391)</u>	<u>1</u>
Change in fund balance	-	-	80,778	80,778
Fund balance, beginning of year, as restated	<u>693,535</u>	<u>693,535</u>	<u>693,535</u>	<u>-</u>
Fund balance, end of year	<u>\$ 693,535</u>	<u>\$ 693,535</u>	<u>\$ 774,313</u>	<u>\$ 80,778</u>

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

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 2,736,469	\$ 82,125	\$ 2,818,594
Investments	48,736	447	49,183
Restricted cash and cash equivalents	250,124	-	250,124
Accounts receivable, net	943,673	147,490	1,091,163
Notes receivable, current	85,896	-	85,896
Due from other governments	2,443,121	-	2,443,121
Due from other funds	-	42,316	42,316
Prepays	31,579	-	31,579
Inventory	259,982	-	259,982
Total current assets	<u>6,799,580</u>	<u>272,378</u>	<u>7,071,958</u>
Noncurrent assets			
Notes receivable, long-term	676,217	-	676,217
Capital assets, non-depreciable	8,378,598	-	8,378,598
Capital assets, net	18,802,578	-	18,802,578
Total noncurrent assets	<u>27,857,393</u>	<u>-</u>	<u>27,857,393</u>
Total assets	<u>34,656,973</u>	<u>272,378</u>	<u>34,929,351</u>
Deferred Outflows of Resources			
Deferred charge on refunding	<u>85,056</u>	<u>-</u>	<u>85,056</u>
Liabilities			
Current liabilities			
Accounts payable	938,203	71,575	1,009,778
Notes payable	56,806	-	56,806
Bonds payable	364,000	-	364,000
Due to other funds	908,792	-	908,792
Liabilities payable from restricted assets			
Accrued interest	70,936	-	70,936
Customer deposits payable	124,250	-	124,250
Total current liabilities	<u>2,462,987</u>	<u>71,575</u>	<u>2,534,562</u>
Noncurrent liabilities			
Notes payable, net of current portion	1,595,809	-	1,595,809
Bonds payable, net of current portion	4,389,000	-	4,389,000
Total non-current liabilities	<u>5,984,809</u>	<u>-</u>	<u>5,984,809</u>
Total liabilities	<u>8,447,796</u>	<u>71,575</u>	<u>8,519,371</u>
Net position			
Net investment in capital assets	20,775,561	-	20,775,561
Restricted for			
Debt service	54,938	-	54,938
Unrestricted	5,463,734	200,803	5,664,537
Total net position	<u>26,294,233</u>	<u>200,803</u>	<u>26,495,036</u>
Total liabilities and net position	<u>\$ 34,742,029</u>	<u>\$ 272,378</u>	<u>\$ 35,014,407</u>

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

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 2,882,990	\$ 840,165	\$ 3,723,155
Miscellaneous	852,395	35,200	887,595
Total operating revenues	<u>3,735,385</u>	<u>875,365</u>	<u>4,610,750</u>
Operating expenses			
General and administrative	1,483,672	864,584	2,348,256
Depreciation	863,046	-	863,046
Total operating expenses	<u>2,346,718</u>	<u>864,584</u>	<u>3,211,302</u>
Operating income	<u>1,388,667</u>	<u>10,781</u>	<u>1,399,448</u>
Nonoperating revenues (expenses)			
Investment earnings	42,834	415	43,249
Interest expense	(162,602)	-	(162,602)
Total nonoperating revenues (expenses)	<u>(119,768)</u>	<u>415</u>	<u>(119,353)</u>
Income before capital contributions and transfers	1,268,899	11,196	1,280,095
Capital contributions			
Intergovernmental capital grants	4,687,499	-	4,687,499
Other capital contributions	302,440	-	302,440
Total capital contributions	<u>4,989,939</u>	<u>-</u>	<u>4,989,939</u>
Transfers out	<u>(152,703)</u>	<u>(25,070)</u>	<u>(177,773)</u>
Changes in net position	6,106,135	(13,874)	6,092,261
Total net position, beginning of year, as restated	<u>20,188,098</u>	<u>214,677</u>	<u>20,402,775</u>
Total net position, end of year	<u>\$ 26,294,233</u>	<u>\$ 200,803</u>	<u>\$ 26,495,036</u>

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

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 3,255,226	\$ 872,565	\$ 4,127,791
Cash paid to suppliers for goods and services	<u>(1,303,024)</u>	<u>(862,727)</u>	<u>(2,165,751)</u>
Net cash provided by operating activities	<u>1,952,202</u>	<u>9,838</u>	<u>1,962,040</u>
Cash flows from noncapital financing activities			
Transfer to other funds	<u>(47,176)</u>	<u>(24,904)</u>	<u>(72,080)</u>
Net cash used by noncapital financing activities	<u>(47,176)</u>	<u>(24,904)</u>	<u>(72,080)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(7,457,740)	-	(7,457,740)
Proceeds from notes payable	576,169	-	576,169
Principal paid on notes payable	(24,164)	-	(24,164)
Principal paid on bonds payable	(179,000)	-	(179,000)
Capital grants received	4,095,978	-	4,095,978
Interest paid	<u>(71,029)</u>	<u>-</u>	<u>(71,029)</u>
Net cash used in capital and related financing activities	<u>(3,059,786)</u>	<u>-</u>	<u>(3,059,786)</u>
Cash flows from investing activities			
Cash received on sale of investments	3,147,792	-	3,147,792
Purchase of investments	-	(104)	(104)
Interest received	<u>42,834</u>	<u>415</u>	<u>43,249</u>
Net cash provided by investing activities	<u>3,190,626</u>	<u>311</u>	<u>3,190,937</u>
Net change in cash and cash equivalents	2,035,866	(14,755)	2,021,111
Cash and cash equivalents, beginning of year	<u>950,727</u>	<u>96,880</u>	<u>1,047,607</u>
Cash and cash equivalents, end of year	<u>\$ 2,986,593</u>	<u>\$ 82,125</u>	<u>\$ 3,068,718</u>
Cash and cash equivalents classified as			
Cash and cash equivalents	\$ 2,736,469	\$ 82,125	\$ 2,818,594
Restricted cash and cash equivalents	<u>250,124</u>	<u>-</u>	<u>250,124</u>
Total cash and cash equivalents	<u>\$ 2,986,593</u>	<u>\$ 82,125</u>	<u>\$ 3,068,718</u>

(Continued)

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 1,388,667	\$ 10,781	\$ 1,399,448
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	863,046	-	863,046
Change in operating assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(336,350)	(2,800)	(339,150)
Notes receivable	(154,954)	-	(154,954)
Prepays	(31,579)	-	(31,579)
Inventory	(6,891)	-	(6,891)
Increase (decrease) in liabilities:			
Accounts payable	219,118	1,857	220,975
Customer deposits	11,145	-	11,145
Net cash provided by operating activities	<u>\$ 1,952,202</u>	<u>\$ 9,838</u>	<u>\$ 1,962,040</u>

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

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Blended Component Unit

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

B. Government-Wide and Fund Financial Statements

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

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

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

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

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

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

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

The following are reported as major proprietary funds:

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

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

The City also reports the following fund type:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain City's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items, Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned and then unassigned.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Deposits and Investments

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

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

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

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

E. Receivables

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

F. Inventory and Prepaid Items

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

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. Interfund Receivables/Payables

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

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended September 30, 2014, no interest was capitalized.

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

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

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

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any items that qualify for reporting in this category.

J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued.

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

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Compensated Absences

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

L. Net Position / Fund Balance Classification

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

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

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

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

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

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

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

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Net Position / Fund Balance Classification – Continued

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

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

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

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

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

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

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. Property Taxes

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

The value of all taxable property is assessed as of January 1. The City Council levies property taxes by approving the millage rate for the following fiscal year in September. Property taxes become due and payable on November 1 of the same year. A 4% discount is allowed if the taxes are paid in November, with the discount declining by 1% each month thereafter. Taxes become delinquent on April 1 of the next year and tax certificates for the full amount of any unpaid taxes and assessments must be sold not later than June 1. Tax certificate proceeds are remitted to the City, thereby assuring that virtually all taxes levied are collected within the same fiscal year, after allowing for discounts and any disputed assessment in litigation. The tax certificate, once sold, represents a lien on the property, which may be redeemed by the property owner by paying the face amount of the certificate plus interest and other costs. Property taxes receivable and a corresponding reserve for uncollectable property taxes are not included in the financial statements, as there are no material delinquent taxes as of September 30, 2014. No accrual for the property tax levy becoming due in November of 2014 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

N. Use of Estimates

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

O. Implementation of Governmental Accounting Standards Statements

In November 2010, the GASB issued Statement 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financial accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The City has implemented this statement for fiscal year 2014.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. Implementation of Governmental Accounting Standards Statements - Continued

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes five components: assets, deferred outflows of resources, liabilities and deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The City has implemented this statement for fiscal year 2014. The adoption of GASB 63 did not have any impact on the City's financial statements other than terminology changes from net assets to net position and invested in capital assets, net of related debt to net investment in capital assets.

NOTE 2 – Legal Compliance – Budgets

A. Budgets and Budgetary Data

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

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

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

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

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 2 – Legal Compliance – Budgets – Continued

B. Encumbrances

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

C. Excess of Expenditures Over Appropriations

For the fiscal year ended September 30, 2014, the following departments had excesses of actual expenditures over appropriations, which were funded by available fund balance and larger than anticipated revenues:

	<u>Excess</u>
General Fund	
Culture/recreation	\$ 20,549
Community Redevelopment	
General government	13,985

NOTE 3 – Deposits and Investments

At September 30, 2014, the City had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Florida Fund B	39 days weighted average	AAA	\$ 129,786
Certificates of deposit	7 month weighted average	N/A	1,077,381
			<u>\$ 1,207,167</u>

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

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

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 3 – Deposits and Investments – Continued

Custodial Credit risk. Custodial credit risk for deposits is the risk that, in the event of a depository financial institution’s failure, the City’s deposits may not be returned. The City does not have a formal custodial credit risk policy. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2014, the City had no uncollateralized deposits as defined by GASB pronouncements.

NOTE 4 – Receivables

Receivables as of September 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Improvements Fund	Water and Sewer Fund	Sanitation Fund	Total
Receivables					
Accounts	\$ 123,904	\$ 17,830	\$ 1,022,396	\$ 167,055	\$ 1,331,185
Notes	-	-	762,113	-	762,113
Due from other governments	13,000	47,453	2,443,121	-	2,503,574
Less allowance for uncollectible receivables	-	-	(78,723)	(19,565)	(98,288)
	<u>\$ 136,904</u>	<u>\$ 65,283</u>	<u>\$ 4,148,907</u>	<u>\$ 147,490</u>	<u>\$ 4,498,584</u>

Notes receivable represent amounts due from new water and sewer customers for expansion fees. Principal and interest are due in monthly installments of \$36.33 on various maturities.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Net Transfers	Ending Balance
Primary Government:					
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 2,095,392	\$ 268,978	\$ -	\$ -	\$ 2,364,370
Construction in progress	1,843,803	1,334,411	-	(19,611)	3,158,603
Total assets not being depreciated	<u>3,939,195</u>	<u>1,603,389</u>	<u>-</u>	<u>(19,611)</u>	<u>5,522,973</u>
Capital assets being depreciated					
Buildings and improvements	4,025,248	109,100	-	-	4,134,348
Equipment and vehicles	2,530,245	38,151	-	-	2,568,396
Infrastructure	4,030,805	35,355	-	19,611	4,085,771
Total assets being depreciated	<u>10,586,298</u>	<u>182,606</u>	<u>-</u>	<u>19,611</u>	<u>10,788,515</u>
Less accumulated depreciation					
Buildings and improvements	(1,535,390)	(162,758)	-	-	(1,698,148)
Equipment and vehicles	(1,585,992)	(145,466)	-	-	(1,731,458)
Infrastructure	(1,311,417)	(250,500)	-	-	(1,561,917)
Total accumulated depreciation	<u>(4,432,799)</u>	<u>(558,724)</u>	<u>-</u>	<u>-</u>	<u>(4,991,523)</u>
Total assets depreciated, net	6,153,499	(376,118)	-	19,611	5,796,992
Governmental activities, net	<u>\$ 10,092,694</u>	<u>\$ 1,227,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,319,965</u>
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 616,898	\$ -	\$ -		\$ 616,898
Construction in progress	4,608,619	7,008,559	-	(3,855,478)	7,761,700
Total assets not being depreciated	<u>5,225,517</u>	<u>7,008,559</u>	<u>-</u>	<u>(3,855,478)</u>	<u>8,378,598</u>
Capital assets being depreciated					
Buildings and improvements	18,381,839	36,971	-	(41,813)	18,376,997
Equipment and vehicles	7,177,326	79,956	-	41,813	7,299,095
Infrastructure	4,211,345	332,254	-	3,846,428	8,390,027
Total assets being depreciated	<u>29,770,510</u>	<u>449,181</u>	<u>-</u>	<u>3,846,428</u>	<u>34,066,119</u>
Less accumulated depreciation					
Buildings and improvements	(7,765,385)	(440,989)	-	(1,116,029)	(9,322,403)
Equipment and vehicles	(6,478,133)	(182,956)	-	1,083,041	(5,578,048)
Infrastructure	(166,027)	(239,101)	-	42,038	(363,090)
Total accumulated depreciation	<u>(14,409,545)</u>	<u>(863,046)</u>	<u>-</u>	<u>9,050</u>	<u>(15,263,541)</u>
Total assets depreciated, net	15,360,965	(413,865)	-	3,855,478	18,802,578
Business-type activities, net	<u>\$ 20,586,482</u>	<u>\$ 6,594,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,181,176</u>

The beginning balance of governmental activity capital assets has been increased by \$370,333 to reflect assets not properly capitalized in prior years of \$159,906 and excess accumulated depreciation of \$210,427 being charged. Additionally, the beginning balance of business-type activity capital assets has been increased by \$337,453 to reflect assets not properly capitalized in prior years of \$479,671 and depreciation not being properly charged of \$142,218. See Note 13 for further explanation.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 – CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
General government	\$ 36,181
Public safety	42,050
Highways and streets	393,469
Culture and recreation	35,230
Economic development	51,794
	<u>\$ 558,724</u>
Business-type Activities	
Water and sewer	<u>\$ 863,046</u>

NOTE 6 – LONG TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -
Net OPEB obligation	80,000	10,000	(2,000)	88,000	-
Compensated absences	34,501	78,324	(49,320)	63,505	57,154
Total governmental activities	<u>\$ 114,501</u>	<u>\$ 88,324</u>	<u>\$ (51,320)</u>	<u>\$ 151,505</u>	<u>\$ 57,154</u>
Business-type activities					
Bonds payable	\$ 4,932,000	\$ -	\$ (179,000)	\$ 4,753,000	\$ 364,000
Notes payable	1,100,610	576,169	(24,164)	1,652,615	56,806
Total business-type activities	<u>\$ 6,032,610</u>	<u>\$ 576,169</u>	<u>\$ (203,164)</u>	<u>\$ 6,405,615</u>	<u>\$ 420,806</u>

The beginning balance of business-type notes payable has been increased \$516,019 to properly recognize State Revolving Loans.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 – LONG TERM DEBT – CONTINUED

Long-Term Debt payable as of September 30, 2014, is composed of the following issues:

Revenue Bonds

Utility System Revenue Refunding Bond, Series 2012, due in annual installments through October 1, 2026 in amounts ranging from \$233,000 to \$462,000, plus interest at a rate of 2.39%; collateralized by revenue from the water and sewer system. The purpose of the issuance was (1) refunding the City's Water and Sewer Revenue Refunding Bonds, Sereies 1992, (2) financing improvements to the City's water and sewer system, and (3) funding the cost of issuance of the bonds.

\$ 4,753,000

Total bonds payable

\$ 4,753,000

Notes Payable

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

\$ 551,328

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

576,170

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

525,117

Total notes payable

\$ 1,652,615

The annual debt service payments required on outstanding debt at September 30, 2014 are as follows:

Fiscal Year	Revenue Bonds, Series 2012			State Revolving Fund Loans		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 364,000	\$ 111,446	\$ 475,446	\$ 56,806	\$ 35,734	\$ 92,540
2016	372,000	102,698	474,698	68,437	41,127	109,564
2017	381,000	93,748	474,748	70,224	39,340	109,564
2018	391,000	84,582	475,582	72,058	37,507	109,565
2019	401,000	75,189	476,189	73,940	35,625	109,565
2020-2024	2,149,000	226,894	2,375,894	399,701	148,125	547,826
2025-2029	695,000	16,670	711,670	454,716	93,111	547,827
2030-2034	-	-	-	439,931	31,897	471,828
2035	-	-	-	16,802	224	17,026
	<u>\$ 4,753,000</u>	<u>\$ 711,227</u>	<u>\$ 5,464,227</u>	<u>\$ 1,652,615</u>	<u>\$ 462,690</u>	<u>\$ 2,115,305</u>

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water & Sewer	\$ 576,217
General Fund	Nonmajor Govt	969
Capital Improvement	Water & Sewer	290,259
Sanitation	Water & Sewer	42,316
		<u>\$ 909,761</u>

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>				<u>Total</u>
	<u>General Fund</u>	<u>Community Redevelopment</u>	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	
General Fund	\$ -	\$ 16,391	\$ 152,703	\$ 25,070	\$ 194,164
Capital Improvement Fund	767,000	-	-	-	767,000
Total	<u>\$ 767,000</u>	<u>\$ 16,391</u>	<u>\$ 152,703</u>	<u>\$ 25,070</u>	<u>\$ 961,164</u>

NOTE 8 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and pollution related activities. The City's participation in the risk pool described below requires annual premium payments in return for transferring risks among pool participants. Settled claims from these risks have not exceeded the risk pool insurance limits nor have additional premiums been assessed relative to the past three years.

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

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2014

NOTE 9 – PENSION PLAN

A. Plan Description

The City contributes to the Florida Retirement System (“FRS”), a cost sharing multiple-employer public retirement system, which is controlled by the State Legislature and administered by the State of Florida, Department of Management Services, and Division of Retirement. The FRS provides retirement and disability benefits. The Division of Retirement issues a publicly available financial report that includes the pension benefit obligation, the net assets and unfunded pension benefit obligation. The report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or calling (850) 488-5706.

B. Funding Policy

The City is required to contribute 9.13% of salary for regular members, 20.58% of salary for special risk members, 10.9% of salary for senior management, and 16.11% for council members. The contribution requirements may be changed by FRS. The City contributed to FRS \$97,266 for the year ended September 30, 2014.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

The City maintains a single employer defined benefit other post-employment benefit plan which was required by GASB 45 and implemented prospectively. The City of Crystal River Other Post-Employment Benefits Plan (the “OPEB Plan”), includes retirees from the City. The City offers post-employment benefits other than pension benefits for healthcare insurance for eligible retirees and spouse through the City’s group health insurance plan, which covers both active and retired members.

The OPEB Plan does not issue a publicly available financial report.

B. Annual OPEB Cost and Net OPEB Obligation

The City’s annual other post-employment benefit cost is calculated based on the annual required contribution (the “ARC”) of the employer. The City has elected to calculate the ARC and the related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The City establishes and may amend the funding policy for the OPEB Plan. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

B. Annual OPEB Cost and Net OPEB Obligation – Continued

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the OPEB Plan.

Annual required employer contribution	\$ 16,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	<u>(9,000)</u>
Annual OPEB cost	10,000
Employer and retiree contributions for period ended September 30, 2014	<u>2,000</u>
Increase in net OPEB obligation	8,000
Net OPEB obligation beginning of year	80,000
Net OPEB obligation end of year	<u><u>\$ 88,000</u></u>

C. Trend Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (APC)</u>	<u>Actual Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation</u>
09/30/12	\$ 12,000	\$ 3,000	25.0 %	\$ 73,000
09/30/13	9,000	2,000	22.2	80,000
09/30/14	10,000	2,000	20.0	88,000

As of the most recent valuation date, March 1, 2014, the funded status of the OPEB Plan is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
3/1/2014	\$ -	\$ 67,000	\$ 67,000	- %	\$ 841,000	8.0 %

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

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

D. Actuarial Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continued revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the plan in effect at March 1, 2014. The assumptions used in the March 1, 2014, actuarial valuation are as follows:

Valuation date	March 1, 2014
Actuarial cost method	Project Unit Credit
Amortization method	10-year open period; level-dollar payment
Amortization period	30 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return (includes inflation)	4.00%
Inflation	2.75%
Healthcare cost trend rates:	
Selected rates	8.67% for 2015/15 graded to 5.33% 2020/21
Ultimate rate	5.00%

NOTE 11 – UTILITY OPERATING CONTRACT

The City contracts with a private company to operate the City's water and sewer facilities. The company is responsible for operating and maintenance expenses of the facilities, including operation personnel. The City is responsible for the: (1) capital expenses, (2) debt service, (3) maintenance and repairs in excess of approximately \$77,000 annually, and (4) maintaining property damage insurance on the facilities and equipment.

The contract is cancelable by either party. During the year ended September 30, 2014, the monthly fee was \$105,621. Annual fees are negotiable annually on or before December 1. Failure to agree upon an annual fee will be resolved by application of a formula based upon the most current annual fee adjusted for the Consumer Price Index.

NOTE 12 – POLICE CONTRACT WITH CITRUS COUNTY SHERIFF'S OFFICE

In 2008, The City Council dissolved the police department and entered into a contract with the Citrus County Sheriff's Office to provide public safety services. Substantially all police assets were transferred to the Sheriff's Office. The contract with the Sheriff's Office expires on September 30 of each year, subject to automatic renewal on an annual basis, provided no action is taken to terminate the contract. The City paid \$1,137,872 during the year ended September 30, 2014.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 13 – PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS

The City has determined that a restatement to beginning net position of governmental activities is required to reflect corrections of errors in the September 30, 2013, financial report. These restatements are as follows:

	Governmental Activities
Net position, as previously reported	\$ 14,805,775
Adjustment needed to properly reflect the Community Redevelopment Agency as a blended component unit	2,424,110
Adjustment needed to properly reflect capital assets	370,333
Net position, as restated	\$ 17,600,218

The City has determined that a restatement of Community Redevelopment Agency assets of \$713,992, liabilities of \$20,457, and fund balance of \$693,535 is required to properly record the blended component unit as defined by *GASBS No. 14, The Financial Reporting Entity*, as amended by *GASBS No. 39, Determining Whether Certain Organizations Are Component Units* and *GASBS No. 61, The Financial Reporting Entity: Omnibus*. The restatement is as follows:

	Community Redevelopment
Fund balance, as previously reported	\$ -
Adjustment needed to properly reflect fund balance of governmental funds	693,535
Fund balance, as restated	\$ 693,535

The City has determined that a restatement to beginning net position of the business-type activities is required to reflect a correction of errors related to the City's inventory, capital assets, and notes payable in the September 30, 2013 financial report. This restatement is as follows:

	Business-type Activities	Water and Sewer
Net position, as previously reported	\$ 20,328,247	\$ 20,113,570
Adjustment needed to properly reflect inventory	253,094	253,094
Adjustment needed to properly reflect capital assets	337,453	337,453
Adjustment needed to properly reflect notes payable	(516,019)	(516,019)
Net position, as restated	\$ 20,402,775	\$ 20,188,098

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 13 – PRIOR PERIOD ADJUSTMENTS/RESTATEMENTS

To further explain the above restatements, the following thoughts are provided:

Adjustment related to reclassification of the Community Redevelopment Agency as a blended component unit. The City determined that an adjustment to reclassify the Community Redevelopment from a discretely presented component unit to a blended component unit was required. This resulted in a decrease to net position of the Community Redevelopment Agency, previously a discretely presented component unit of the City, in the amount of \$2,424,110, and an increase in the net position of governmental activities in the same amount. Additionally, this resulted in an increase in fund balance of the Community Redevelopment Agency, a governmental fund, in the amount of \$693,535.

Adjustment of Long-Term Debt. The City noted that certain notes payable were not properly recorded in the Water and Sewer Fund. This error caused an understatement of notes payable and an overstatement of net position. This also caused an understatement of notes payable and an overstatement of net position in the business-type activities column of the government-wide financial statements. The adjustment resulted in an increase of notes payable in the amount of \$516,019, and decrease to net position of the same amount.

Adjustment of Capital Assets. The City noted that certain capital assets were excluded and corresponding accumulated depreciation had been improperly reported in prior periods. As it relates to governmental capital assets, the City noted \$159,906 in capital assets that were not properly included in the schedule and \$210,427 in calculation errors of accumulated depreciation. As such, an adjustment to capital assets in the amount of \$370,333 was made to increase capital assets and increase governmental activities net position. As it relates to water and sewer fund and business-type capital assets, the City noted \$479,669 in capital assets that were not properly included in the schedule and \$142,216 in calculation errors of accumulated depreciation. As such, an adjustment to capital assets in the amount of \$377,453 was made to increase capital assets and increase net position in the water and sewer fund and business-type activities.

Adjustment of Inventory. The City noted that inventory was not properly reported in prior periods. As it relates to water and sewer fund and business-type inventory, an adjustment to inventory in the amount of \$253,094 was made to increase inventory and water and sewer fund and business-type activities net position.

CITY OF CRYSTAL RIVER, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
7/1/2011	\$ -	\$ 70,000	\$ 70,000	- %	\$ 854,000	8.2 %
3/1/2014	\$ -	\$ 67,000	\$ 67,000	- %	\$ 841,000	8.0 %

CITY OF CRYSTAL RIVER, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS

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

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

3 Sisters Springs is used to account for resources received to support activities at 3 Sisters Springs Park.

Friends of Music in the Park is used to account for resources received from charges which are committed to providing other activities in the park.

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

Impact Fees is used to account for resources restricted for downtown improvements.

CITY OF CRYSTAL RIVER, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	<u>Special Revenue Funds</u>					Total Governmental Funds
	Public Safety Expansion	3 Sisters Springs	Friends of Music In the Park	Buy A Brick	Impact Fees	
Assets						
Cash and cash equivalents	\$ 16,007	\$ 92,726	\$ 121	\$ 4,211	\$ -	\$ 113,065
Total assets	<u>\$ 16,007</u>	<u>\$ 92,726</u>	<u>\$ 121</u>	<u>\$ 4,211</u>	<u>\$ -</u>	<u>\$ 113,065</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ -	\$ 92,726	\$ 121	\$ 200	\$ -	\$ 93,047
Due to other funds	-	-	-	-	969	969
Total liabilities	<u>-</u>	<u>92,726</u>	<u>121</u>	<u>200</u>	<u>969</u>	<u>94,016</u>
Fund balances						
Restricted						
Community development	-	-	-	4,011	-	4,011
Public safety	16,007	-	-	-	-	16,007
Unassigned	-	-	-	-	(969)	(969)
Total fund balances	<u>16,007</u>	<u>-</u>	<u>-</u>	<u>4,011</u>	<u>(969)</u>	<u>19,049</u>
Total liabilities and fund balances	<u>\$ 16,007</u>	<u>\$ 92,726</u>	<u>\$ 121</u>	<u>\$ 4,211</u>	<u>\$ -</u>	<u>\$ 113,065</u>

CITY OF CRYSTAL RIVER, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds					Total Governmental Funds
	Public Safety Expansion	3 Sisters Springs	Friends of Music In the Park	Buy A Brick	Impact Fees	
Revenues						
Impact fees	\$ 600	\$ -	\$ -	\$ -	\$ 346	\$ 946
Miscellaneous	-	-	-	2,850	-	2,850
Income on investments	-	-	-	11	-	11
Total revenues	<u>600</u>	<u>-</u>	<u>-</u>	<u>2,861</u>	<u>346</u>	<u>3,807</u>
Expenditures						
Current						
General government	-	-	-	-	1,315	1,315
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315</u>	<u>1,315</u>
Excess (deficiency) of revenues over expenditures	<u>600</u>	<u>-</u>	<u>-</u>	<u>2,861</u>	<u>(969)</u>	<u>2,492</u>
Net change in fund balance	600	-	-	2,861	(969)	2,492
Fund balances, beginning	<u>15,407</u>	<u>-</u>	<u>-</u>	<u>1,150</u>	<u>-</u>	<u>16,557</u>
Fund balances, ending	<u>\$ 16,007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,011</u>	<u>\$ (969)</u>	<u>\$ 19,049</u>

OTHER REPORTS

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CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crystal River, Florida (the "City"), as of and for the year ended September 30, 2014, 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 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-002 through 2014-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a significant deficiency.

Compliance and Other Matters

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

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Bradenton, Florida
June 24, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Crystal River, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2014. The City's major federal programs and state financial assistance projects 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550 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 and state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014.

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 and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project 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 or state project 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 OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Bradenton, Florida
June 24, 2015

Mauldin & Jenkins, LLC

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CITY OF CRYSTAL RIVER, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>CFDA/CSFA Number</u>	<u>Grant ID Number</u>	<u>Actual Expenditures</u>
Federal Awards			
U.S. Department of Housing and Urban Development			
Passed through the Florida Department of Economic Opportunity			
Community Development Block Grant Program	14.228	13DB-OI-05-19-02-N 43	\$ 504,063
Total U.S. Department of Housing and Urban Development			<u>504,063</u>
U.S. Department of Environmental Protection			
Passed through the Florida Department of Environmental Protection			
Capitalization Grants for State Revolving Funds	66.458	WW090200	3,325,483
Total U.S. Department of Environmental Protection			<u>3,325,483</u>
U.S. Department of Commerce			
Passed through the Florida Department of Environmental Protection			
Florida Coastal Management Program	11.419	CM407	13,000
Total U.S. Department of Commerce			<u>13,000</u>
Total expenditures of Federal awards			<u>\$ 3,842,546</u>
State Financial Assistance			
Florida Department of Transportation			
County Incentive Grant Program	55.008	AQU33	\$ 536,406
Florida Department of Environmental Protection			
Reclaimed Water Project	37.039	N/A	1,217,742
Total expenditures of State financial assistance			<u>\$ 1,754,148</u>

This Schedule includes the Federal and State grant activity of the City of Crystal River, Florida, for the fiscal year ended September 30, 2014, and is presented using the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Chapter 10.550 Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of the basic financial statements.

CITY OF CRYSTAL RIVER, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? X yes ___ no

Significant deficiencies identified not considered
to be material weaknesses? X yes ___ no

Noncompliance material to financial statements noted? ___ yes X no

Federal Programs and State Financial Assistance Projects

Internal Control over major federal or state programs:
Material weaknesses identified? ___ yes X no

Significant deficiencies identified not considered
to be material weaknesses? ___ yes X none reported

Type of auditor's report issued on compliance for
major Federal programs and state financial assistance
projects: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)? ___ yes X no

Identification of major federal program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
66.458	Capitalization Grants for Clean Water State Revolving Loan Funds

Identification of major state financial assistance projects:

<u>CFDA Number</u>	<u>Name of State Project or Cluster</u>
37.039	Statewide Surface Water Restoration and Wastewater Projects

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes ___ no

CITY OF CRYSTAL RIVER, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014 - 001. Segregation of Duties

Criteria: Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: For the fiscal year ended September 30, 2014, we noted a lack of proper segregation of duties within the City Finance Department.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures, specifically the same person preparing the deposit is reconciling the completed deposit to the daily receipt report, and the employee involved in the cash receipt function is also involved in the accounts receivable function.

Effect: Failure to properly segregate duties between recording, distribution and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

Recommendation: The duties of recording, distribution and reconciliation of accounts should be segregated among employees.

Views of Responsible Officials and Planned Corrective Action: We concur. We will work with staff to segregate duties and apply compensating controls to the extent possible.

2014 - 002. Maintenance of Inventory

Criteria: Generally accepted accounting principles require significant amounts of inventory to be reported as an asset.

Condition: For the fiscal year ended September 30, 2014, we noted that the City did not record inventory in the Water and Sewer Fund.

Context: We addressed this matter with City officials and they determined a prior period adjustment should be recorded to properly account for City inventory.

Effect: An adjust to increase inventory in the amount of \$259,982, increase net position in the amount of \$253,094, and decrease expenses in the amount of \$6,888 was required to be recorded in the Water and Sewer Fund.

Cause: Inventory subsidiary records were not being properly maintained.

Recommendation: We recommend that City implement procedures to properly account for inventory.

CITY OF CRYSTAL RIVER, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES - CONTINUED

2014 - 002. Maintenance of Inventory - Continued

Views of Responsible Officials and Planned Corrective Action: We concur. We will work with staff to properly account for inventory items.

2014 - 003. Maintenance of Capital Assets

Criteria: Generally accepted accounting principles generally require the reporting of all capital assets at their historical cost, which is written off periodically, or depreciated, in a systematic and rational manner.

Condition: The City conducted an inventory of all capital assets and identified various items that were not properly included in the subsidiary schedule. Additionally, the City determined that depreciation expense was not being properly calculated on certain assets.

Context: See above condition

Effect: A prior period audit adjustment was required be recorded in the Water and Sewer Fund to increase the beginning capital assets in the amount of \$479,669, increase accumulated depreciation in the amount of \$142,216, and increase net position in the amount of \$337,453. Additionally, an adjustment to decrease accumulated depreciation in the amount of \$357,787 and decrease expenses in the same amount was required to be recorded in the Water and Sewer Fund to properly account for the current year depreciation of capital assets as of September 30, 2014.

Cause: The City conducted an inventory of capital assets and determined that items were improperly excluded. Additionally, current year depreciation expense was incorrectly calculated..

Recommendation: We recommend the City review all capital asset activity and capitalize and depreciate assets based on the City's capitalization policy.

Views of Responsible Officials and Planned Corrective Action: We concur. We will review all capital asset activity and properly record and depreciate assets based on our capitalization policy.

2014 – 004. Recording of Long-term Liabilities

Criteria: Generally accepted accounting principles require long-term obligations to be recorded in the accounting period in which they are incurred to acquire capital assets or to provide current financial resources for operational activities. Additionally, any debt bearing the name of the City should be reported in the City's financial statements. As a part of this process, the City should review all related debt agreements and expenditure transactions to determine reporting in the proper period.

CITY OF CRYSTAL RIVER, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

2014 – 004. Recording of Long-term Liabilities - Continued

Condition: The City did not properly record various transactions related to long term debt in the Water and Sewer Fund as of September 30, 2013.

Context: We addressed this matter with City officials and they were able to determine the amount of notes payable and debt service interest expenditures that should be recorded in the Water and Sewer Fund as of September 30, 2013.

Effect: A prior period audit adjustment to increase notes payable in the amount of \$516,019 and decrease net position in the same amount was required to be reported within the Water and Sewer Fund as of September 30, 2013. This adjustment also resulted in an increase in accrued interest in the amount of \$70,936, an increase in notes payable in the amount of \$552,005, a decrease in intergovernmental revenue in the amount of \$576,169, and increase in interest expense in the amount of \$46,772 in the Water and Sewer Fund as of September 30, 2013.

Cause: The City did not review all debt agreements and debt transactions after the prior year ended to determine reporting in the proper period.

Recommendation: We recommend the City establish procedures to review all related debt agreements and reconcile all expenditure transactions during and after year-end to determine reporting in the proper period.

Views of Responsible Officials and Planned Corrective Action: We concur. We have established procedures to review all related debt agreements and reconcile all expenditure transactions during and after year-end to determine reporting in the proper period.

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV
STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

None noted.

CITY OF CRYSTAL RIVER, FLORIDA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

STATUS OF PRIOR YEAR FINDINGS

No prior year audit findings.

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Crystal River, Florida (the "City"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 24, 2015.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 Federal Program and State Project and Report on Internal Control over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 24, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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.

Annual Financial Report

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

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that the City's special district component unit provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

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

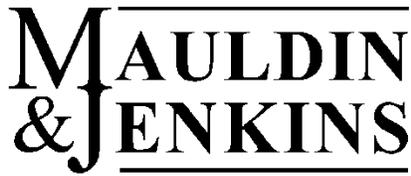
Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the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

Purpose of this Letter

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

Mauldin & Jenkins, LLC

Bradenton, Florida
June 24, 2015



CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have examined the City of Crystal River, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. 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 and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Bradenton, Florida
June 24, 2015