

City of Callaway
Florida

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2015



City of Callaway, Florida

Comprehensive Annual Financial Report Fiscal Year Ended September 30, 2015

Prepared By

**Beverly Waldrip, CPA, Director of Finance
and
J. Michael Fuller, City Manager**

Principal Officials of the City of Callaway, Florida

CITY COMMISSION

Thomas W. Abbott
Mayor

Melba Covey
Commissioner, Ward I

Pamela Henderson
Commissioner, Ward II

Bob Pelletier
Commissioner, Ward III

Ralph L. Hollister
Commissioner, Ward IV

Michael Fuller
City Manager

DEPARTMENT HEADS

Janice Peters, City Clerk

David P. Joyner, Jr., Fire Chief

Trevor Noble, Director of Public Works

Beverly Waldrip, CPA, Director of Finance

Tim Legare, CSFM, Director of Leisure Services

Kevin Obos, City Attorney
Harrison, Sale, McCloy, Chartered

Warren Averett, LLC
Independent Certified Public Accountants
& Consultants

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CITY OF CALLAWAY, FLORIDA CITY HALL

6601 East Highway 22, Callaway, FL 32404
Phone 850-871-6000 • FAX 850-871-2444
www.cityofcallaway.com

Mayor
Thomas W. Abbott

Commissioners
Melba Covey
Pamela Henderson
Bob Pelletier
Ralph L. Hollister

May 12, 2016

Honorable Mayor and City Commission
City of Callaway
Callaway, Florida

The Comprehensive Annual Financial Report of the City of Callaway (The City) for the fiscal year ended September 30, 2015, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and the results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

General Information

The City has prepared its financial statements to meet the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34)*. GASB 34 established a reporting model that the City has reported in five parts:

1. Management's Discussion and Analysis; a narrative report providing significant information about the City and how the City's financial position has changed from September 30, 2014, to September 30, 2015, and the reasons for the change;
2. Government-wide Financial Statements; statements which report on the governmental and business-type assets, liabilities, expenses, and revenues of the City;
3. Fund Financial Statements; statements which report on the major individual governmental and proprietary funds of the City;
4. Budgetary Comparisons for the City's general fund and other major governmental funds, and;
5. The notes to those financial statements.

Independent Audit

In compliance with the laws of the State of Florida, the City of Callaway was audited by independent certified public accountants. The opinion of Warren Averett, LLC may be found in the Financial Section of this report. The specific report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards* can be found in the Compliance Section.

Accounting System and Budgetary Control

The accounting records for general governmental operations are maintained on a modified accrual basis with revenue being recorded upon determination that it is both available and measurable. Expenditures for general governmental operations are recorded when the services or goods are received and the liabilities incurred. Accounting records for enterprise and internal service funds are converted to the full accrual basis of accounting at fiscal year-end for reporting purposes.

In developing and evaluating the accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding; (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

State law requires cities and their elected officials to develop balanced budgets to provide for the operation of their offices. Details of expenditures to be made and the resources available to meet these proposed obligations must be included in the budget. Upon adoption, the budget document becomes the legal basis for carrying out the activities of the City. The City of Callaway Commission adopts budgets for all funds. Budgets are adopted on a basis consistent with generally accepted accounting principles, except as noted in the Notes to the Basic Financial Statements. Budget control is maintained by a computerized encumbrance system. All appropriations are reviewed at year-end for accuracy. All encumbrances are closed at the end of the year.

The Reporting Entity and Its Services

The City of Callaway is a chartered city established under the legal authority of the Constitution and the Laws of the State of Florida. The City provides a full range of services. These include public safety services (law enforcement and fire); street and stormwater maintenance; planning, zoning and permitting services; code enforcement; business licensures; parks, sports field and conference center facility availability; and other general administrative services. The City also operates three enterprise activities providing water, sewer, and solid waste services.

In addition to these core operations, the Callaway Community Redevelopment Agency provides for community redevelopment activities for specific community redevelopment areas of the city.

Relevant Financial Policies

The City's General Fund formal fund policy establishes a targeted minimum reserve balance in its Unassigned Fund Balance equal to 2 months or 17% of the current fiscal year operating expenditures and transfers budget. The 2015 General Fund Unassigned Fund Balance remains over the targeted goal.

Retirement Plan

Employees of the City are members of the Florida Retirement System, a multi-employer defined benefit plan. Employer contribution rates are established in July of each year by the State of Florida. Employees who are members of the plan are required to contribute 3% of their wages to the plan on a pre-tax basis. Participation in the plan is compulsory for all employees who are qualified to participate.

Economic Condition and Outlook

Located in Northwest Florida, between Pensacola and Tallahassee, the City of Callaway is one of seven municipalities in Bay County. This urban, heavily residential community, east of Panama City is within driving distance to beaches and scenic bays. Its close proximity to Tyndall Air Force Base provides a stabilizing economic influence and has been a major factor in sustaining the City's population and that of surrounding communities.

Major transportation facilities have expanded in recent years. The Port of Panama City, a growing deep-water port, is continuing to invest in new facilities and improvements. The Northwest Florida Beaches International Airport now provides service by Southwest Airlines, Delta Airlines, United Airlines Express and Silver Airways. The transportation venues available, U. S. military installations and related contractors and supplier and other local economic anchors, such as the Eastern Shipbuilding Group, serve as economic catalysts for our entire region.

Major Initiatives

The City of Callaway Commission enacted a City ad valorem tax beginning in fiscal year 2005. The City's millage rate is lowest in Bay County and has not changed since September of 2008.

A Public Safety Building was constructed for \$2,000,000 in 2009 which houses the City's Fire Department and Law Enforcement provided by the Bay County Sheriff's Department. Financing of the building was the City's only General Fund debt and the balance of \$1,431,692 as of September 30, 2015, was paid off in January of fiscal year 2016.

In fiscal year 2011, the City completed a major multi-million dollar expansion of the utility infrastructure to improve services to existing utility users and to provide services to newly and/or soon to be developed areas. The construction which began in 2007 included a five million gallon ground water storage tank, booster pump station, and approximately ten miles of water and sewer lines. Outstanding debt to fund the costs for the utility expansion was \$20.7 million, as of September 30, 2015. Debt for the utility expansion was refinanced in December of 2015, and debt for the water storage tank was paid-off resulting in the reduction of debt to \$15.9 million. The City anticipates a steady rebound in economic development activity that should allow for debt servicing for the expansion to be paid from the collection of impact fees.

In 1996, the Cities of Callaway, Parker and Springfield along with Bay County created a joint venture to construct and operate the Military Point Advanced Wastewater Treatment facility. Bay County acts as the Operator of the facility. Each partner owns and maintains its own sewer collection system and the joint venture owns and maintains sewer lines from each master lift station to the treatment plant. During fiscal year 2014, a dispute between Bay County and the City was initiated regarding the responsibility for costs and the remediation method of maintenance issues of a lift station (AWT-2). Negotiations concerning the resolution of this dispute were still in progress as of September 30, 2015, however the dispute has been settled subsequent to the fiscal year end.

Operating initiatives during the current fiscal year included:

- Replacement of 1/3 of the City's water meters; replacements of the remaining water meters is budgeted to be completed in fiscal year 2016. The meter upgrades will enable the City to obtain monthly meter reads by driving by read routes. The elimination of manual reads will substantially improve the efficiency and time required for our meter reading process. The total cost of the meter upgrade is \$1.68 million.
- Engineering design was completed for a FL Department of Transportation grant for a sidewalk along Bob Little Road. Construction of the 7th Street Sidewalk Project was completed through the grant program.
- Completion of a drainage project funded by a grant in the amount of \$705,218 from the Northwest Florida Water Management District to develop a new stormwater management facility for improved water runoff quality in the St. Andrew Bay Watershed.
- Landscaping and fencing improvements for a public park funded by tax increment financing (TIF) through the City's Community Redevelopment Agency.
- Annexation of a 243 acre area referred to as Primrose Bay and planning for development of 1,000 acres in this vicinity. Also additional commercial development along Tyndall Parkway/US98 and residential subdivision plans have been received for City review or Commission approval.
- Implementation of on-line utility payments.
- Information technology network virtualization, and equipment and software upgrades / licensing.
- Implementation of GASB Statement No. 68, requiring the reporting of the City's proportionate share of the unfunded actuarial liabilities for the cost sharing multiple employer retirement plan administered by the State of Florida Division Retirement

For the Future – The City remains optimistic about its potential for development as economic conditions improve. The beautiful nearby beaches, higher education institutions and military installations are all contributing factors that make the City of Callaway an idyllic bedroom community for the area.

Other planned operating initiatives include:

- Renovations to City Hall façade and lobby area.
- Completion of Stormwater improvements commenced in the current fiscal year for the Berthe Avenue Spillway.
- Stormwater drainage improvements on North Kimbrel Avenue funded through the City's Community Redevelopment Agency.
- Water line relocation for a Bay County bridge replacement.
- Rehabilitation of the sewer lift station at Veteran's Park.
- Increased City code enforcement compliance efforts.
- Improvements to Gore Park boating facilities.

Reporting Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Callaway for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014. This was the 22nd consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

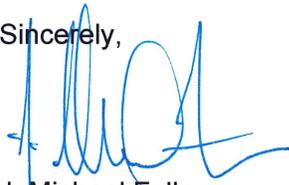
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the dedicated services of the entire staff of the City Hall and of the departments that provided information. We express our appreciation to all who assisted by contributing to its preparation and to the City Commission for their interest and support in planning and conducting the financial operations of the City.

Appreciation is also expressed to accounting firm of Warren Averett, LLC for their continued assistance and professionalism.

Sincerely,



J. Michael Fuller
City Manager

Sincerely,



Beverly Waldrip, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Callaway, Florida for its comprehensive annual financial report for the fiscal year ended September 30, 2014.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.





Government Finance Officers Association

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

Presented to

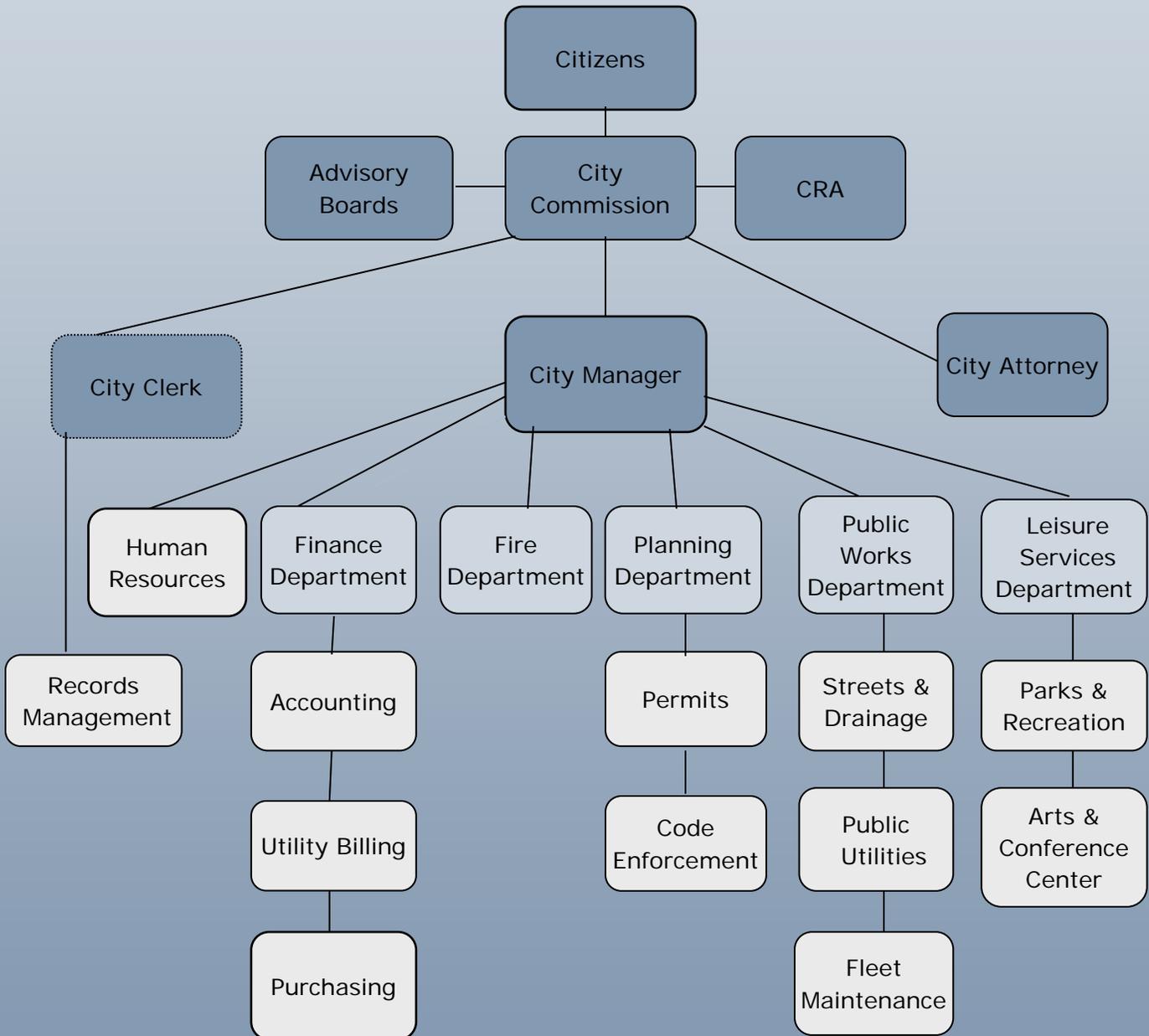
**City of Callaway
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

The City of Callaway, Florida ORGANIZATIONAL CHART For the Year ended September 30, 2015



Location of Government



The City of Callaway, Florida is an urban community in Bay County located east of Panama City, Florida, in the Panhandle Region of Northwest Florida. This community is separated from the Gulf of Mexico by East Bay and Tyndall Air Force Base.



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Commission
City of Callaway, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Callaway, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Military Point Advanced Wastewater Treatment Facility joint venture which represent 11%, 26%, and 2%, respectively of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the joint venture activity, is based solely on the report of the other auditors. 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 auditors' 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Callaway, Florida, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4-14, Schedule of Proportionate Share of Net Pension Liability for the Florida Retirement System and Health Insurance Subsidy on pages 64-65, and Schedule of Contributions for the Florida Retirement System and Health Insurance Subsidy on pages 66-67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Callaway, Florida's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The General Fund schedule of expenditures by department – budget (GAAP basis) and actual on page 58, combining and individual non-major fund financial statements on pages 59-60, and non-major governmental fund budgetary comparison schedules on pages 61-63 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 non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2016 on our consideration of the City of Callaway, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Callaway, Florida's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
May 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Callaway, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by approximately \$32.4 million (net position), and represents an increase of \$2.1 million (or 6.31%) from the restated prior year. The City implemented Governmental Accounting Standards Board Statement (GASB) 68, *Accounting and Financial Reporting for Pensions – an amendment to Statement 27* and GASB 71 during the 2015 fiscal year, resulting in a restatement down in total net position of roughly \$2.4 million. These Statements enhance the financial reporting by state and local governments for pensions. They also improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities. These statements require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. As predicted, the implementation has had a significant impact on the financial position and changes in net position of the City.
- Of the \$32.4 million of net position at September 30, 2015, \$10.7 million represents investments in capital assets (e.g. land, construction in progress, building, vehicles, machinery, and equipment) less any related debt used to acquire these assets that is still outstanding, \$4.7 million is restricted for future obligations, and \$17.0 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The business-type activities increased \$1.2 million (or 5.30%), and the governmental activities increased \$0.9 million (or 8.33%) during fiscal year 2015. The restatement for implementation of GASB 68 and GASB 71 resulted in net position being lowered by \$0.8 million and \$1.6 million for business-type activities and governmental activities, respectively.
- The City's governmental funds reported combined ending fund balances of \$3.9 million, an increase of \$242 thousand over the prior year. Approximately \$2.2 million (or 56.6%) of ending fund balances, is unassigned and available for spending at the discretion of the City Commission.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was 45% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government services (including city manager, city clerk, human resources, finance, purchasing, building inspector and non-departmental expenses), public safety (fire), highways and streets (including public works, administration, streets, central garage, repairs and maintenance), maintenance, economic environment, and culture and recreation (parks, library, and arts and conference center). The business-type activities of the City include water, sewer and solid waste management. The government-wide financial statements are found on pages 15-16 of this report.

The government-wide financial statements include the City (*primary government*) and the Callaway Community Redevelopment Agency (CRA), a legally separate component unit. The CRA is presented as a blended component unit as the City and the CRA share a governing body, and the CRA is a department of the City.

FUND FINANCIAL STATEMENTS

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

FUNDS

GOVERNMENTAL FUNDS

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

Such information may be useful in evaluating a government's near-term financial requirements. Found on pages 17-21 of this report are the basic governmental fund financial statements.

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

The City maintains four individual governmental funds (General Fund, the Capital Projects Fund, the Community Redevelopment Fund [a special revenue fund for the component unit], and the Debt Service Fund). The General Fund is the only major fund in fiscal year 2015. The Community Redevelopment Fund, Capital Projects Fund, and Debt Service Fund are presented as other governmental funds. The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison schedules are provided to demonstrate compliance with the budgets.

PROPRIETARY FUNDS

Proprietary funds of the City include Water Fund, Sewer Fund, and the Solid Waste Fund. Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses Proprietary Funds to account for its utility operations (water operations and distribution, sewer collections and treatment), and sanitation services.

Found on pages 22-26 of this report are the basic proprietary fund financial statements.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information, which is essential to the full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 27 of this report are the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets (and deferred outflows) exceeded liabilities (and deferred inflows) by \$32.4 million (net position) for the fiscal year ended 2015, as reported in Table 1.

\$10.7 million (or 33%) of the City's net position reflects its investment in capital assets (e.g. land, construction in progress, buildings, vehicles, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City reports investment in its capital assets net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Table 1
CITY OF CALLAWAY, FLORIDA
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4,562,177	\$ 3,929,862	\$ 30,761,059	\$ 31,673,093	\$ 35,323,236	\$ 35,602,955
Capital assets	9,348,601	8,816,759	22,413,978	22,417,801	31,762,579	31,234,560
Total assets	13,910,778	12,746,621	53,175,037	54,090,894	67,085,815	66,837,515
Total deferred outflow of resources	243,859	-	123,674	-	367,533	-
Long-term liabilities outstanding	1,403,692	1,431,692	20,558,222	21,180,044	21,961,914	22,611,736
Other liabilities	2,093,772	340,040	10,425,404	11,122,312	12,519,176	11,462,352
Total liabilities	3,497,464	1,771,732	30,983,626	32,302,356	34,481,090	34,074,088
Total deferred inflow of resources	408,865	10,465	200,830	-	609,695	10,465
Net position						
Net investment in capital assets	7,916,909	7,359,067	3,217,814	4,381,434	11,134,723	11,740,501
Restricted	336,632	355,519	4,326,900	4,297,483	4,663,532	4,653,002
Unrestricted	1,994,767	3,249,838	14,569,541	13,109,621	16,564,308	16,359,459
Total net position	\$ 10,248,308	\$ 10,964,424	\$ 22,114,255	\$ 21,788,538	\$ 32,362,563	\$ 32,752,962

An additional portion of the City's net position \$4.7 million (or 14%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$17.0 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's overall financial condition has improved during the year ending September 30, 2015. The overall increase in the City's net position was \$2.1 million (or 6.31%) during fiscal year 2015. Governmental activities increased \$0.9 million, resulting primarily from grant proceeds obtained through Northwest Florida Water Management District, coupled with increased taxes remitted from the State of Florida. Business-type activities increased \$1.2 million, primarily due to increased charges for utility services provided by the City as well as utility franchise fees transferred from the governmental activities.

GOVERNMENTAL ACTIVITIES

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

Table 2
CITY OF CALLAWAY, FLORIDA
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues						
Charges for services	\$ 395,743	\$ 364,233	\$ 7,502,407	\$ 7,244,587	\$ 7,898,150	\$ 7,608,820
Operating grants and contributions	4,698	39,644	-	-	4,698	39,644
Capital grants and contributions	494,234	256,459	95,209	121,718	589,443	378,177
General revenues						
Property taxes	1,009,731	1,022,354	-	-	1,009,731	1,022,354
Other taxes	4,052,210	3,071,844	-	813,761	4,052,210	3,885,605
Other revenue	675,288	598,729	105,257	60,492	780,545	659,221
TOTAL REVENUES	6,631,904	5,353,263	7,702,873	8,240,558	14,334,777	13,593,821
EXPENSES						
Primary government						
General government	773,718	797,130	-	-	773,718	797,130
Public safety	2,411,028	2,340,818	-	-	2,411,028	2,340,818
Highways and streets	686,289	721,899	-	-	686,289	721,899
Maintenance	121,005	129,116	-	-	121,005	129,116
Culture and recreation	794,088	785,034	-	-	794,088	785,034
Debt service interest	63,666	80,112	-	-	63,666	80,112
Business-type activities						
Water	-	-	2,790,369	2,992,779	2,790,369	2,992,779
Sewer	-	-	4,096,799	4,173,902	4,096,799	4,173,902
Solid waste	-	-	530,268	547,459	530,268	547,459
TOTAL EXPENSES	4,849,794	4,854,109	7,417,436	7,714,140	12,267,230	12,568,249
CHANGE IN NET POSITION BEFORE TRANSFERS						
	1,782,110	499,154	285,437	526,418	2,067,547	1,025,572
Transfers	(868,392)	-	868,392	-	-	-
CHANGE IN NET POSITION	913,718	499,154	1,153,829	526,418	2,067,547	1,025,572
NET POSITION AT BEGINNING OF YEAR						
	10,964,424	10,465,270	21,788,538	21,262,120	32,752,962	31,727,390
RESTATEMENT	(1,629,834)	-	(828,112)	-	(2,457,946)	-
NET POSITION AT END OF YEAR	\$ 10,248,308	\$ 10,964,424	\$ 22,114,255	\$ 21,788,538	\$ 32,362,563	\$ 32,752,962

FINANCIAL IMPACTS

NORMAL IMPACTS

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

Revenues

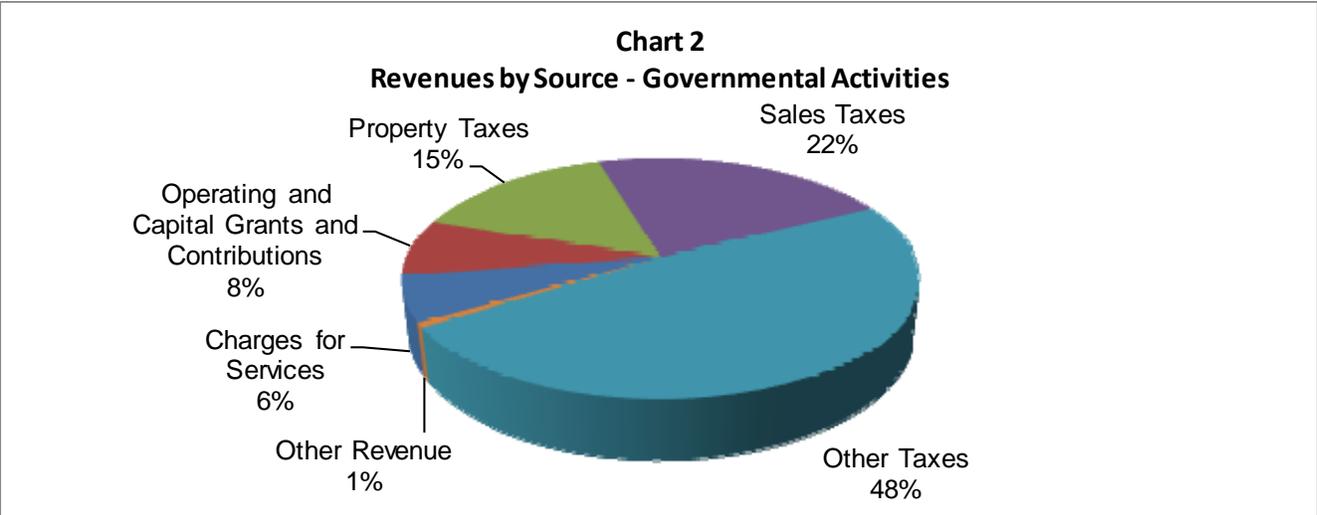
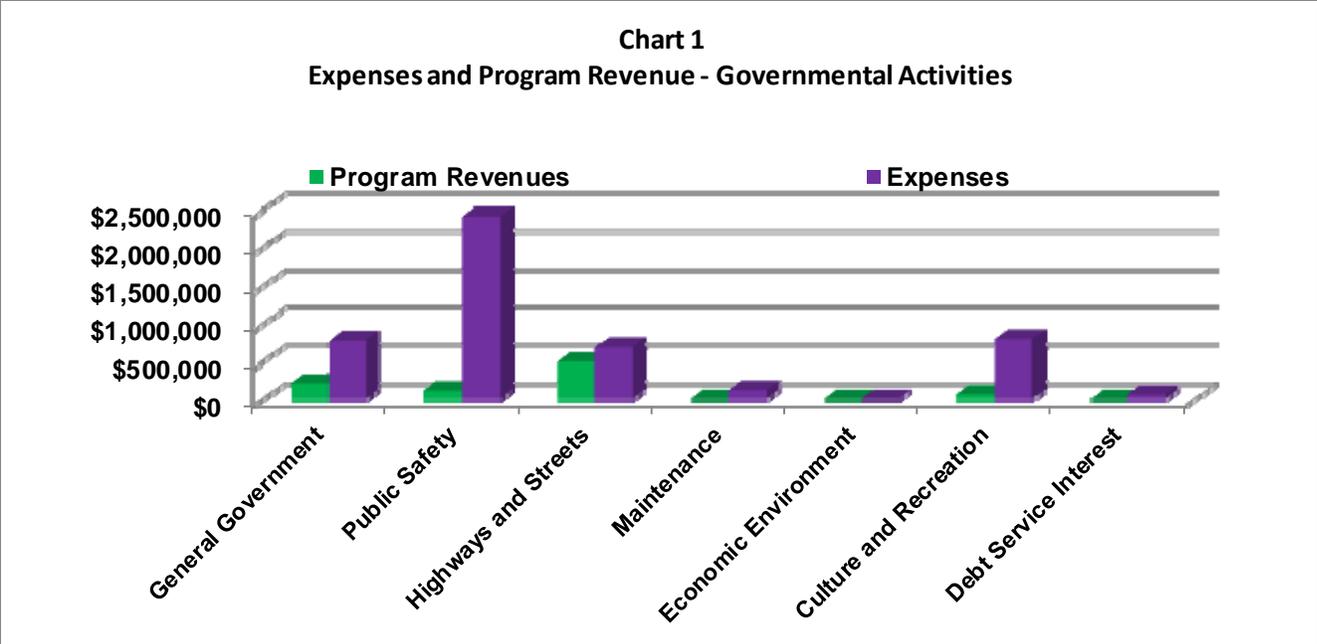
- **Economic Condition:** This can reflect a declining, stable, or growing economic environment and has a substantial impact on property, sales, gas or other tax revenue.
- **Commission Approved Rate Adjustments:** While certain tax rates are set by statute, the City Commission has significant authority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

Expenses

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

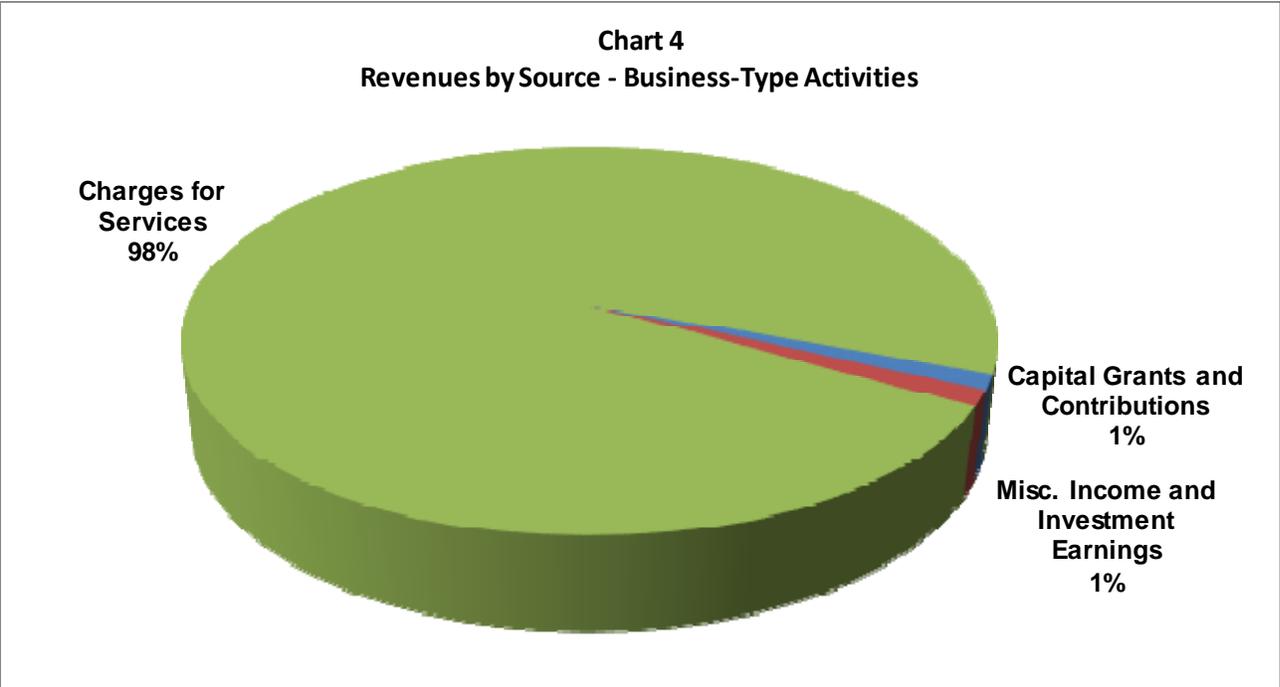
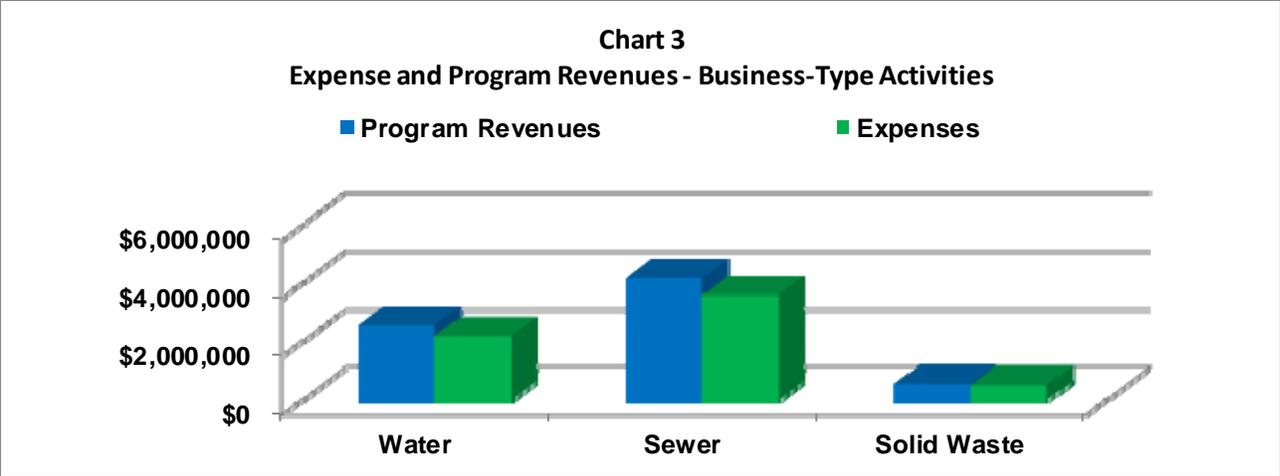
Current Year Impacts – Governmental Activities

- Capital grants and contributions revenue increased by \$238 thousand primarily due to grant funding from the Northwest Florida Water Management District.
- Other taxes increased \$1.0 million, which can be attributed primarily to the City recognizing the utility franchise fees in the governmental activities instead of the business-type activities in fiscal year 2015. These franchise fees were then transferred to the business-type activities during fiscal year 2015. In the prior year, the franchise fees were recorded and recognized by the business-type activities rather than through a transfer.



Business-Type Activities

- Charges for services for business-type activities increased by \$566 thousand due to increased water/sewer consumption.
- Other taxes decreased \$814 thousand due to the City recognizing the utility franchise fees in the governmental activities instead of the business-type activities in fiscal year 2015. Additionally, transfers from the governmental activities increased as a result of franchise fees. See additional explanation under the “Current Year Impacts – Governmental Activities”.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3.9 million, an increase of \$242.3 thousand in comparison with the prior year. Approximately \$2.2 million of fund balance (or 57%) constitutes unassigned fund balance, which is available for spending at the City Commission's discretion. The remainder of fund balance is categorized as:

- Nonspendable – prepaid items and inventory
- Restricted – bond covenants, impact fees, and community redevelopment
- Committed – voluntary park fees and stormwater fees
- Assigned – fiscal year 2016 budget appropriations

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2.2 million, while total fund balance reached \$3.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 45% of the total General Fund expenditures, while total fund balance represents 78% of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$254.2 thousand.

The Community Redevelopment Fund has a total fund balance of \$105 thousand, all of which is restricted at September 30, 2015. The Community Redevelopment Fund fund balance decreased \$12 thousand due to an increase in capital outlay expenditures when compared to previous years.

PROPRIETARY FUNDS

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary funds totaled \$15.0 million at the end of the year; of that, the Water Fund amounted to \$2.6 million, the Sewer Fund totaled \$11.8 million (which includes the \$5.7 million investment in the Military Point Advanced Wastewater Treatment joint venture) and the Solid Waste Fund was \$550 thousand. Net position for proprietary funds increased \$1.2 million during fiscal year 2015. Please refer to the statement of net position - proprietary funds and the statement of revenue, expenses, and changes in net position - proprietary funds for specific numerical data.

BUDGETARY HIGHLIGHTS

GENERAL FUND

Actual expenditures varied roughly 6% from budgeted expenditures in part as a result of general government, public safety and highways and streets expenditures being less than budgeted amounts.

The budgets for the highways and streets and maintenance functions were decreased during the year ended September 30, 2015 due to lower payroll expenditures than had been originally budgeted. In addition, the capital outlay expenditures budget was increased during the fiscal year to account for some of the capital outlay purchases in the General Fund.

CAPITAL ASSETS AND LONG-TERM DEBT OUTSTANDING

CAPITAL ASSETS

The City's investments in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$31.8 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, wastewater and drainage systems improvements, vehicles, machinery and equipment, park facilities, roads and highways, etc. The total increase in the City's investment in capital assets for the current fiscal year was \$528 thousand (or 1.66%) with an overall 6.03% increase for governmental activities, and business-type activities remaining consistent, all of which is summarized as follows:

Table 3
CITY OF CALLAWAY, FLORIDA
CAPITAL ASSETS
(net of depreciation)
AS OF SEPTEMBER 30, 2015 AND 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 847,869	\$ 847,869	\$ 177,428	\$ 177,428	\$ 1,025,297	\$ 1,025,297
Construction in progress	394,657	51,343	-	-	394,657	51,343
Buildings	3,160,638	3,273,125	1,806,407	1,975,484	4,967,045	5,248,609
Improvements other than buildings	4,377,912	4,285,910	19,540,854	20,023,495	23,918,766	24,309,405
Vehicles	257,273	208,401	264,744	156,903	522,017	365,304
Machinery and equipment	249,676	68,946	624,545	84,491	874,221	153,437
Software	60,576	81,165	-	-	60,576	81,165
Total	\$ 9,348,601	\$ 8,816,759	\$ 22,413,978	\$ 22,417,801	\$ 31,762,579	\$ 31,234,560

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

LONG-TERM DEBT OUTSTANDING

At the end of the current fiscal year, the City had total debt outstanding of \$30.3 million. The debt amount represents notes payable and revenue bonds payable secured by specified revenue sources and equipment.

Table 4
CITY OF CALLAWAY, FLORIDA
LONG-TERM DEBT OUTSTANDING
AS OF SEPTEMBER 30, 2015 AND 2014

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Notes payable	\$ -	\$ -	\$ 7,714,630	\$ 8,859,095	\$ 7,714,630	\$ 8,859,095
Revenue bonds payable	1,431,692	1,457,692	21,168,722	21,768,581	22,600,414	23,226,273
Total	\$ 1,431,692	\$ 1,457,692	\$ 28,883,352	\$ 30,627,676	\$ 30,315,044	\$ 32,085,368

Principal repayments during the year for governmental activities were \$26,000, and \$588,500 for business-type activities.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City continues to be financially sound and some improvement in the local economy is evidenced by an increased interest in development.

For the upcoming fiscal year, the City budgeted to use \$992,849 of fund balance reserves from the General Fund, primarily to pay off General Fund debt. This amount includes any FY16 budget amendments through the date of the report. General Fund revenues are projected to be relatively unchanged. The assessed value of real property in Callaway decreased by 1.35%, which is anticipated to have a negligible effect on ad valorem tax collections. The General Fund expenditure budget increased by 19%. The Unassigned General Fund Balance is projected to continue to exceed the minimum required by City policy of 17% of expenditures.

The City also budgeted to reduce reserves in the Utility Funds in fiscal year 2016. The \$8.7 million reduction budgeted includes: \$1.2 million to complete replacements of all residential water meters in the City's service area; \$6.7 million to pay off debt; and \$1.6 million for capital equipment replacements. Additionally, wholesale sewer treatment cost increased by 9.2% in fiscal year 2016, however the rate increase was not passed through to the City's sewer customers.

As part of the regular budget monitoring process, the Finance Department prepares a monthly financial report which is distributed to the City Manager, Department Heads, and the City Commission for review and is presented at monthly Commission meetings. In conjunction with this reporting, budget estimates versus the actual results are reviewed and necessary budget amended are submitted for Commission approval.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City of Callaway, 6601 East Highway 22, Callaway, Florida 32404, Attention: Director of Finance. The City's website address is <http://www.cityofcallaway.com>.

**CITY OF CALLAWAY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,439,256	\$ 8,978,607	\$ 12,417,863
Receivables, net	243,731	711,728	955,459
Due from other governments	493,186	-	493,186
Interfund activity	8,871	(8,871)	-
Due from joint venture	-	462,131	462,131
Prepaid items	103,779	2,991	106,770
Inventory, at cost	41,674	-	41,674
Restricted assets			
Cash and cash equivalents	231,680	6,465,940	6,697,620
Other assets			
Capital contributions receivable, non-current	-	777,800	777,800
Note receivable – joint venture	-	7,714,630	7,714,630
Investment in joint venture	-	5,656,103	5,656,103
Capital assets			
Non-depreciable/amortizable	1,242,526	177,428	1,419,954
Depreciable/amortizable, net	8,106,075	22,236,550	30,342,625
TOTAL ASSETS	13,910,778	53,175,037	67,085,815
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	243,859	123,674	367,533
LIABILITIES			
Accounts payable	529,083	281,383	810,466
Accrued payroll liabilities	80,113	19,773	99,886
Accrued interest payable	4,977	-	4,977
Due to joint venture	-	81,033	81,033
Due to other governments	-	3,132	3,132
Payable from restricted assets			
Customer deposits	-	793,010	793,010
Accrued interest payable	-	181,800	181,800
Non-current liabilities			
Due within one year			
Notes payable	-	1,178,910	1,178,910
Revenue bonds payable	28,000	610,500	638,500
Accrued compensated absences	95,648	51,194	146,842
Due in more than one year			
Notes payable, net	-	6,535,720	6,535,720
Revenue bonds payable, net	1,403,692	20,558,222	21,961,914
Net pension liability	1,355,951	688,949	2,044,900
TOTAL LIABILITIES	3,497,464	30,983,626	34,481,090
DEFERRED INFLOW OF RESOURCES			
Local business taxes received in advance	13,150	-	13,150
Deferred inflows related to pensions	395,715	200,830	596,545
TOTAL DEFERRED INFLOW OF RESOURCES	408,865	200,830	609,695
NET POSITION			
Net investment in capital assets	7,916,909	3,217,814	11,134,723
Restricted			
Debt service	76,784	1,525,135	1,601,919
Capital improvements/extensions	-	2,801,765	2,801,765
Impact fees	154,896	-	154,896
Redevelopment	104,952	-	104,952
Unrestricted	1,994,767	14,569,541	16,564,308
TOTAL NET POSITION	\$ 10,248,308	\$ 22,114,255	\$ 32,362,563

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Function/program activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 773,718	\$ 214,496	\$ 599	\$ -	\$ (558,623)	\$ -	\$ (558,623)
Public safety	2,411,028	115,003	-	-	(2,296,025)	-	(2,296,025)
Highways and streets	686,289	2,933	-	491,481	(191,875)	-	(191,875)
Maintenance	121,005	-	-	-	(121,005)	-	(121,005)
Economic environment	-	-	4,099	-	4,099	-	4,099
Culture and recreation	794,088	63,311	-	2,753	(728,024)	-	(728,024)
Debt service interest	63,666	-	-	-	(63,666)	-	(63,666)
Total governmental activities	<u>4,849,794</u>	<u>395,743</u>	<u>4,698</u>	<u>494,234</u>	<u>(3,955,119)</u>	<u>-</u>	<u>(3,955,119)</u>
Business-type activities							
Water	2,790,369	2,588,891	-	32,450	-	(169,028)	(169,028)
Sewer	4,096,799	4,336,391	-	62,759	-	302,351	302,351
Solid Waste	530,268	577,125	-	-	-	46,857	46,857
Total business-type activities	<u>7,417,436</u>	<u>7,502,407</u>	<u>-</u>	<u>95,209</u>	<u>-</u>	<u>180,180</u>	<u>180,180</u>
Total primary government	<u>\$ 12,267,230</u>	<u>\$ 7,898,150</u>	<u>\$ 4,698</u>	<u>\$ 589,443</u>	<u>\$ (3,955,119)</u>	<u>\$ 180,180</u>	<u>\$ (3,774,939)</u>
General revenues							
Taxes							
Property taxes					\$ 1,009,731	\$ -	\$ 1,009,731
Sales taxes					1,474,615	-	1,474,615
Utility service taxes					1,667,930	-	1,667,930
Franchise taxes					868,381	-	868,381
Tax increments for redevelopment districts					25,567	-	25,567
Other					15,717	-	15,717
Municipal revenue sharing, intergovernmental					632,427	-	632,427
Gain (loss) on sale of assets					28,776	8,707	37,483
Miscellaneous					8,844	2,646	11,490
Investment earnings					5,241	93,904	99,145
Transfers					(868,392)	868,392	-
Total general revenues					<u>4,868,837</u>	<u>973,649</u>	<u>5,842,486</u>
Change in net position					913,718	1,153,829	2,067,547
Net position at beginning of year, restated					9,334,590	20,960,426	30,295,016
Net position at end of year					<u>\$ 10,248,308</u>	<u>\$ 22,114,255</u>	<u>\$ 32,362,563</u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2015**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,343,175	\$ 96,081	\$ 3,439,256
Receivables, net	243,731	-	243,731
Due from other funds	48,233	8,871	57,104
Due from other governments	129,513	363,673	493,186
Inventory, at cost	41,674	-	41,674
Prepaid items	103,779	-	103,779
Restricted assets			
Cash and cash equivalents	231,680	-	231,680
TOTAL ASSETS	<u>\$ 4,141,785</u>	<u>\$ 468,625</u>	<u>\$ 4,610,410</u>
LIABILITIES			
Accounts payable	\$ 213,643	\$ 315,440	\$ 529,083
Accrued payroll liabilities	80,113	-	80,113
Due to other funds	-	48,233	48,233
TOTAL LIABILITIES	<u>293,756</u>	<u>363,673</u>	<u>657,429</u>
DEFERRED INFLOW OF RESOURCES			
Local business taxes received in advance	13,150	-	13,150
FUND BALANCE			
Nonspendable			
Prepaid items	103,779	-	103,779
Inventory	41,674	-	41,674
Restricted			
Bond covenants	76,784	-	76,784
Impact fees	154,896	-	154,896
Redevelopment	-	104,952	104,952
Committed			
Park fees	64,943	-	64,943
Stormwater fees	269,095	-	269,095
Assigned			
Fiscal year 2016 budget appropriations	894,219	-	894,219
Unassigned	2,229,489	-	2,229,489
TOTAL FUND BALANCE	<u>3,834,879</u>	<u>104,952</u>	<u>3,939,831</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	<u>\$ 4,141,785</u>	<u>\$ 468,625</u>	<u>\$ 4,610,410</u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Fund balance, total governmental funds (page 17)		\$ 3,939,831
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 non-depreciable assets	1,242,526	
Governmental depreciable assets	15,976,351	
Less accumulated depreciation	<u>(7,870,276)</u>	9,348,601
Deferred inflows of resources and deferred outflows of resources related to pensions are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.		
Deferred outflows of resources related to pensions	243,859	
Deferred inflows of resources related to pensions	<u>(395,715)</u>	(151,856)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Revenue bonds payable	(1,431,692)	
Accrued interest	(4,977)	
Compensated absences	(95,648)	
Net pension liability	<u>(1,355,951)</u>	<u>(2,888,268)</u>
Net position of governmental activities (page 15)		<u><u>\$ 10,248,308</u></u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 2,914,348	\$ 8,403	\$ 2,922,751
License, fees, and permits	1,026,247	-	1,026,247
Intergovernmental	1,938,988	461,690	2,400,678
Charges for services	169,722	-	169,722
Fines	4,182	-	4,182
Miscellaneous	108,306	18	108,324
Total revenues	<u>6,161,793</u>	<u>470,111</u>	<u>6,631,904</u>
EXPENDITURES			
Current			
General government	708,226	2,060	710,286
Public safety	2,339,883	-	2,339,883
Highways and streets	632,812	-	632,812
Maintenance	112,492	-	112,492
Culture and recreation	637,199	-	637,199
Capital outlay	495,802	503,019	998,821
Debt service			
Principal	-	26,000	26,000
Interest	-	63,757	63,757
Total expenditures	<u>4,926,414</u>	<u>594,836</u>	<u>5,521,250</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,235,379</u>	<u>(124,725)</u>	<u>1,110,654</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	112,794	112,794
Transfers out	<u>(981,186)</u>	<u>-</u>	<u>(981,186)</u>
Total other financing sources (uses)	<u>(981,186)</u>	<u>112,794</u>	<u>(868,392)</u>
NET CHANGE IN FUND BALANCE	254,193	(11,931)	242,262
FUND BALANCE AT BEGINNING OF YEAR	<u>3,580,686</u>	<u>116,883</u>	<u>3,697,569</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,834,879</u>	<u>\$ 104,952</u>	<u>\$ 3,939,831</u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balance – governmental funds (page 19) \$ 242,262

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is depreciated/amortized over the estimated useful lives of the assets.

Expenditures for capital assets	998,821	
Less current year depreciation/amortization	<u>(466,979)</u>	
		531,842

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

Change in accrued interest	89	
Principal payments	<u>26,000</u>	
		26,089

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

Change in long-term compensated absences	(8,502)	
Change in net pension liability and related deferred outflows and inflows	<u>122,027</u>	

Change in net position of governmental activities (page 16) \$ 913,718

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes	\$ 2,809,559	\$ 2,809,559	\$ 2,914,348	\$ 104,789
Licenses, fees, and permits	173,700	1,228,300	1,026,247	(202,053)
Intergovernmental	1,851,113	1,851,113	1,938,988	87,875
Charges for services	140,703	152,703	169,722	17,019
Fines	2,600	2,600	4,182	1,582
Miscellaneous	62,615	94,962	108,306	13,344
Total revenues	<u>5,040,290</u>	<u>6,139,237</u>	<u>6,161,793</u>	<u>22,556</u>
EXPENDITURES				
Current				
General government	754,863	803,848	708,226	95,622
Public safety	2,405,339	2,398,707	2,339,883	58,824
Highways and streets	887,066	789,236	632,812	156,424
Maintenance	120,155	120,193	112,492	7,701
Culture and recreation	650,503	656,217	637,199	19,018
Capital outlay	322,496	454,561	495,802	(41,241)
Total expenditures	<u>5,140,422</u>	<u>5,222,762</u>	<u>4,926,414</u>	<u>296,348</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(100,132)</u>	<u>916,475</u>	<u>1,235,379</u>	<u>318,904</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(388,157)</u>	<u>(1,253,407)</u>	<u>(981,186)</u>	<u>272,221</u>
NET CHANGE IN FUND BALANCE	<u>(488,289)</u>	<u>(336,932)</u>	<u>254,193</u>	<u>591,125</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>488,289</u>	<u>336,932</u>	<u>3,580,686</u>	<u>3,243,754</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,834,879</u></u>	<u><u>\$ 3,834,879</u></u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2015**

	Business-Type Activities			Total
	Major Funds		Non-Major Fund	
	Water Fund	Sewer Fund	Solid Waste Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,780,437	\$ 5,529,495	\$ 668,675	\$ 8,978,607
Receivables, net				
Accounts	181,286	352,587	48,222	582,095
Capital contributions	-	129,633	-	129,633
Prepaid items	2,991	-	-	2,991
Due from joint venture	-	462,131	-	462,131
Total current assets	<u>2,964,714</u>	<u>6,473,846</u>	<u>716,897</u>	<u>10,155,457</u>
Non-current assets				
Restricted assets				
Cash and cash equivalents	2,799,970	3,665,970	-	6,465,940
Other assets				
Capital contributions receivable	-	777,800	-	777,800
Notes receivable - joint venture	-	7,714,630	-	7,714,630
Investment in joint venture	-	5,656,103	-	5,656,103
Total other assets	<u>-</u>	<u>14,148,533</u>	<u>-</u>	<u>14,148,533</u>
Capital assets				
Non-depreciable/amortizable	113,083	64,345	-	177,428
Depreciable/amortization, net	13,284,630	8,722,096	229,824	22,236,550
Total capital assets	<u>13,397,713</u>	<u>8,786,441</u>	<u>229,824</u>	<u>22,413,978</u>
Total non-current assets	<u>16,197,683</u>	<u>26,600,944</u>	<u>229,824</u>	<u>43,028,451</u>
TOTAL ASSETS	<u>19,162,397</u>	<u>33,074,790</u>	<u>946,721</u>	<u>53,183,908</u>
DEFERRED OUTFLOW OF RESOURCES	<u>38,966</u>	<u>61,221</u>	<u>23,487</u>	<u>123,674</u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION – CONTINUED
 SEPTEMBER 30, 2015**

	Business-Type Activities			Total
	Major Funds		Non-Major Fund	
	Water Fund	Sewer Fund	Solid Waste Fund	
LIABILITIES				
Current liabilities				
Accounts payable	92,037	185,858	3,488	281,383
Accrued liabilities				
Compensated absences	13,635	22,883	14,676	51,194
Wages	8,189	8,003	3,581	19,773
Due to joint venture	-	81,033	-	81,033
Due to other funds	-	8,871	-	8,871
Due to other governments	3,132	-	-	3,132
Notes payable	-	1,178,910	-	1,178,910
Revenue bonds payable	300,987	309,513	-	610,500
Payable from restricted assets				
Customer deposits	792,760	250	-	793,010
Accrued interest payable	97,933	83,867	-	181,800
Total current liabilities	<u>1,308,673</u>	<u>1,879,188</u>	<u>21,745</u>	<u>3,209,606</u>
Non-current liabilities				
Notes payable, net	-	6,535,720	-	6,535,720
Revenue bonds payable, net	11,361,991	9,196,231	-	20,558,222
Net pension liability	217,065	341,045	130,839	688,949
Total non-current liabilities	<u>11,579,056</u>	<u>16,072,996</u>	<u>130,839</u>	<u>27,782,891</u>
TOTAL LIABILITIES	<u>12,887,729</u>	<u>17,952,184</u>	<u>152,584</u>	<u>30,992,497</u>
DEFERRED INFLOW OF RESOURCES	<u>63,275</u>	<u>99,416</u>	<u>38,139</u>	<u>200,830</u>
NET POSITION				
Net investment in capital assets	2,528,685	459,305	229,824	3,217,814
Restricted				
Debt service/bond covenants	777,112	748,023	-	1,525,135
Impact fees	338,776	2,462,989	-	2,801,765
Unrestricted	2,605,786	11,414,094	549,661	14,569,541
TOTAL NET POSITION	<u>\$ 6,250,359</u>	<u>\$ 15,084,411</u>	<u>\$ 779,485</u>	<u>\$ 22,114,255</u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-Type Activities			Total
	Major Funds		Non-Major Fund	
	Water Fund	Sewer Fund	Solid Waste Fund	
OPERATING REVENUES				
Charges for services	\$ 2,588,891	\$ 4,181,637	\$ 577,125	\$ 7,347,653
OPERATING EXPENSES				
Personal services	445,228	652,925	267,042	1,365,195
Operating	1,327,272	2,498,370	234,020	4,059,662
Depreciation/amortization expense	426,679	451,931	29,206	907,816
Total operating expenses	<u>2,199,179</u>	<u>3,603,226</u>	<u>530,268</u>	<u>6,332,673</u>
OPERATING INCOME	<u>389,712</u>	<u>578,411</u>	<u>46,857</u>	<u>1,014,980</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(591,190)	(493,573)	-	(1,084,763)
Equity earnings in joint venture	-	154,754	-	154,754
Gain on disposal of capital assets	8,707	-	-	8,707
Interest income	21,836	71,424	644	93,904
Miscellaneous	-	-	2,646	2,646
Total non-operating revenues (expenses)	<u>(560,647)</u>	<u>(267,395)</u>	<u>3,290</u>	<u>(824,752)</u>
INCOME (LOSS) BEFORE CAPITAL GRANTS AND CONTRIBUTIONS AND TRANSFERS	<u>(170,935)</u>	<u>311,016</u>	<u>50,147</u>	<u>190,228</u>
Transfers in	521,028	347,364		868,392
Capital grants and contributions	32,450	62,759	-	95,209
Total capital grants and contributions and transfers	<u>553,478</u>	<u>410,123</u>	<u>-</u>	<u>963,601</u>
CHANGE IN NET POSITION	382,543	721,139	50,147	1,153,829
NET POSITION AT BEGINNING OF YEAR, RESTATED	<u>5,867,816</u>	<u>14,363,272</u>	<u>729,338</u>	<u>20,960,426</u>
NET POSITION AT END OF YEAR	<u><u>\$ 6,250,359</u></u>	<u><u>\$ 15,084,411</u></u>	<u><u>\$ 779,485</u></u>	<u><u>\$ 22,114,255</u></u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Major Funds</u>		<u>Non-Major Fund</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,744,104	\$ 4,350,011	\$ 577,856	\$ 7,671,971
Payments to suppliers	(1,475,843)	(2,680,467)	(238,528)	(4,394,838)
Payments to employees	(467,539)	(688,884)	(281,148)	(1,437,571)
Miscellaneous income	-	-	2,646	2,646
Net cash provided by operating activities	<u>800,722</u>	<u>980,660</u>	<u>60,826</u>	<u>1,842,208</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Due to other funds	-	8,871	-	8,871
Transfers in	521,028	347,364	-	868,392
Net cash provided by non-capital financing activities	<u>521,028</u>	<u>356,235</u>	<u>-</u>	<u>877,263</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of capital assets	(567,641)	(179,205)	(157,147)	(903,993)
Proceeds from capital contributions	32,450	62,759	-	95,209
Proceeds from disposal of capital assets	8,707	-	-	8,707
Principal paid on revenue bonds and notes payable	(288,720)	(299,816)	-	(588,536)
Interest paid on bonds, loans, and leases payables	(613,045)	(486,890)	-	(1,099,935)
Net cash used in capital and related financing activities	<u>(1,428,249)</u>	<u>(903,152)</u>	<u>(157,147)</u>	<u>(2,488,548)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	21,836	71,424	644	93,904
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(84,663)	505,167	(95,677)	324,827
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,665,070</u>	<u>8,690,298</u>	<u>764,352</u>	<u>15,119,720</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,580,407</u>	<u>\$ 9,195,465</u>	<u>\$ 668,675</u>	<u>\$ 15,444,547</u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-Type Activities			Total
	Major Funds		Non-Major Fund	
	Water Fund	Sewer Fund	Solid Waste Fund	
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current assets	\$ 2,780,437	\$ 5,529,495	\$ 668,675	\$ 8,978,607
Restricted assets	2,799,970	3,665,970	-	6,465,940
Total cash and cash equivalents	<u>\$ 5,580,407</u>	<u>\$ 9,195,465</u>	<u>\$ 668,675</u>	<u>\$ 15,444,547</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 389,712	\$ 578,411	\$ 46,857	\$ 1,014,980
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	426,679	451,931	29,206	907,816
Miscellaneous revenue	-	-	2,646	2,646
Decrease (increase) in assets:				
Receivables	52,791	168,124	731	221,646
Increase in deferred outflows of resources	(18,697)	(29,376)	(11,270)	(59,343)
Increase (decrease) in liabilities:				
Customer deposits	102,422	250	-	102,672
Accounts payable	(151,463)	(182,097)	(4,508)	(338,068)
Accrued wages	527	3,922	(3,944)	505
Compensated absences	(3,302)	(9,188)	1,616	(10,874)
Due to other governments	2,892	-	-	2,892
Net pension liability	74,417	116,921	44,854	236,192
Decrease in deferred inflows of resources	(75,256)	(118,238)	(45,362)	(238,856)
Net cash provided by operating activities	<u>\$ 800,722</u>	<u>\$ 980,660</u>	<u>\$ 60,826</u>	<u>\$ 1,842,208</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS				
Equity earnings in joint venture	<u>\$ -</u>	<u>\$ 154,754</u>	<u>\$ -</u>	<u>\$ 154,754</u>

See notes to the financial statements.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY

Description of City

The City of Callaway, Florida (the City) was incorporated in 1963. The City's original charter was enacted in 1964. The present charter was enacted in 1996. The City is a political subdivision of the State of Florida and is located in Bay County. The City occupies approximately twelve square miles on the northern shore of East Bay. It operates under a commissioner-manager form of government and provides the following services: general government, public safety (fire control, protective inspections and emergency and disaster relief services), highways and streets, maintenance, parks and recreation, public improvements, planning and zoning, and utility (water & sewer and solid waste) services.

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

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

The Reporting Entity

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

As of September 30, 2015, the City of Callaway had one component unit, as defined by GASB No. 61, which has been presented in the financial statements of the primary government using the blended presentation method, and is presented as a governmental fund type with a fiscal year end of September 30. The Callaway Community Redevelopment Agency (Agency) was formed to prepare a community redevelopment plan for a designated geographic area within the City of Callaway, Florida. All of the City's Commission members serve as board members of the Agency. The Agency's governing body is the same as the governing body of the City. The Agency functions as a department of the City of Callaway, Florida. City management has operational and fiscal responsibility for the Agency's activities.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED**

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED**

Measurement Focus and Basis of Accounting – Continued

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

The following is the current property tax calendar:

Lien Date	January 1, 2015
Levy Date	November 1, 2015
Due Date	November 1, 2015
Delinquent Date	April 1, 2016

Discounts of 1% are granted for each month taxes are paid prior to March 2016.

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

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

Basis of Presentation

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

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

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

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED**

Basis of Presentation – Continued

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

GASB Statement 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has used GASB Statement 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds.

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

Governmental

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

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

Proprietary

Proprietary funds focus on the determination of net income, changes in net position, financial position and cash flows. The following is a description of the City's major proprietary funds:

Water Fund – Accounts for the operations and activities related to the water system within the City.

Sewer Fund – Accounts for the operations and activities related to the sewer system within the City.

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

Cash and Cash Equivalents

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

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized. Specifically, allowable investments include the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States Government or other interest-bearing time deposits or saving accounts in the state or federal banks for savings and loan associations, debt securities of the Federal Farm Credit Banks, The Federal Home Loan Mortgages Corporation, the Federal National Mortgage Association and securities of or other interest in certain investment companies or investment trusts, the portfolio of which is limited to the United States Government obligations or repurchase agreements fully collateralized by such obligations.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED**

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

Deposits and Investments – Continued

The City adheres strictly to the provisions of those cited statutes, as well as with Chapter 280, Florida Statutes, which requires the City to maintain deposits only with "Qualified Public Depositories." The City maintains a cash and investment pool available for use by all funds. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. In addition, restricted cash accounts and money market deposit accounts are separately maintained by several City funds in accordance with bond ordinances and other contractual agreements.

Investments are stated at fair value, based on quoted market prices.

The City's cash and investment pool and certain individual funds participate in the Local Government Surplus Trust Fund - Florida PRIME, operated by Florida's State Board of Administration (SBA). The SBA is governed by Chapter 19-1 of the Florida Administrative Code (FAC). The FAC provides guidance and establishes the general operating procedures for the administration of the Local Government Surplus Trust Funds. Additionally, the Florida Auditor General performs an operational audit of activities and investments of the SBA. GASB Statement No. 31, titled *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, applies to the Florida PRIME. GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value (NAV). GASB 31 describes a "2a-7 like" pool as an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the 1940 Act). Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. City investments with the SBA may be made or liquidated by wire on a same day basis, subject to limitations described in Note 3.

The Florida PRIME is considered a SEC "2a-7 like" fund, thus the account balance is also considered the fair value of the City's investment.

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and are not eliminated in the process of consolidation.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED**

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

Receivables and Payables – Continued

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

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation. All proprietary fund receivables are shown net of an allowance for uncollectibles. The City's allowance estimate is based on historical collection experience and a review of the current status of accounts receivable.

Inventory and Prepaid Items

Inventory in governmental funds is valued at cost using the first in/first out (FIFO) method and are recorded as expenditures when consumed (consumption method) rather than when purchased. A portion of the General Fund balance equal to the inventory amount has been reserved in the fund financial statements to indicate that it is not available for appropriation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements (consumption method).

Restricted Assets

Restricted assets are maintained in both the governmental and business-type activities. Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "reserve fund" account is used to report resources set aside to make up potential future deficiencies in the sinking fund account. Water meter deposits received from customers of the water and sewer system are placed in the Water Meter Deposit Trust Account. This money is restricted to use as payment of the final customer bill or returned to the customer upon settlement of the final bill. Impact fees and special capital extension fees from customers are restricted in the Water, Sewer, and General Fund for future system improvements. Additionally, stormwater fees from customers are restricted in the General Fund for future system improvements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, infrastructure, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets costing in excess of \$1,000 and with an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED**

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

Capital Assets – Continued

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. The amount of interest capitalized during the construction phase of capital assets of business-type activities is calculated by offsetting interest expense incurred from the date of borrowing until the completion of the project with interest earned on the invested proceeds over the same period.

Capital assets are stated at cost, except for contributed assets, which are recorded at fair value on the date received. Property, plant, and equipment of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50 Years
Improvements other than buildings	20-50 Years
System infrastructure	10-50 Years
Machinery and equipment	3-15 Years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The City allows a maximum of no more than 240 hours for annual leave accumulation as of December 31st of any given year. A liability for these amounts is reported in governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

The City estimates that all compensated absences accrued at September 30, 2015 will be used within one year; therefore, compensated absences are reported as current liabilities in these financial statements.

The policy of the City for accruing annual and sick leave per pay period is as follows:

<u>Years of Employment</u>	<u>General Employees</u>	<u>Fire Department</u>
1st Year	2 Hours	2.4 Hours
2 to 5 Years	4 Hours	4.8 Hours
5 to 10 Years	5 Hours	6.0 Hours
10 or More Years	6 Hours	7.2 Hours
Sick Leave	4 Hours	4.8 Hours

Upon termination of employment with two-week notice, an employee will be paid for accumulated annual leave, but all accumulated sick leave will be forfeited.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED**

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

Long-Term Obligations

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

The difference between the re-acquisition price (new debt) and the net carrying value of the old debt creates a deferred gain/loss from advance refunding of debt. This difference is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred account is offset against the new liability.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, gains/loss from refunding, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and gains from refundings received on debt issuances are reported as other financing sources while discounts and losses from refunding's 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.

Net Pension Liability

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

Capitalization of Interest

Interest costs related to bond issues are capitalized during the construction period in the business-type activities. During the year ended September 30, 2015, the City did not have any capitalized interest.

Classification of Fund Balance

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

Nonspendable – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED**

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

Classification of Fund Balance – Continued

Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (a Resolution) of the government's highest level of decision making authority, the City Commission. Commitments may be changed or lifted only by the City taking the same formal action (a Resolution) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Intent is expressed by (a) the City Commission or (b) a body (for example: a budget or finance committee) or official to which the City Commission has delegated the authority to assign amounts to be used for specific purposes. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. The City Commission has not authorized a specific party to assign fund balance. The City Commission may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction place upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The City's General Fund formal fund balance policy establishes a targeted minimum reserve balance in its Unassigned Fund Balance equal to 17%, or a two-month reserve amount, of the current fiscal year operating expenditure and transfers out budgeted for the fund.

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

Net Positions

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

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF CITY –
CONTINUED**

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. See Note 6 for additional information on the City's deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City currently has two items that qualify for reporting in this category which relates to fiscal year 2015 business tax payments received by the City in advance and those related to pensions. See Note 6 for additional information on the City's deferred inflows of resources related to pensions.

Estimates

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

Subsequent Events

Subsequent events were evaluated through May 12, 2016, which is the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

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

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations according to Florida Statutes.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets – Continued

The City, based on a policy change in FY14, sets the legal level of budgetary control at the line item (account) level for each department. Only City Commission can approve budget amendments for each department's expenditure line items; however in the case of an emergency, the City Manager can exceed expenditures in department line items and retrospectively present the amendment to the Commission. The Schedule of Expenditures by Department is presented following the notes to the financial statements to demonstrate compliance with the previous City policy which required budget approvals at the total department level. The City issues a separate budgetary report to demonstrate compliance with the new policy due to the exceptionally low level at which budgetary control has been set.

If, during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the City Commission by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various supplemental appropriations were approved by the City Commission in accordance with Florida Statutes.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column, the effects of budget amendments have been applied to original budgetary data.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources that are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as commitments of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. All encumbrances were closed at the end of the year. Therefore, no provision for encumbrances has been made.

3. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents (including restricted assets) include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments include pooled investments and money market funds.

The types of investments, which can be made by the City, are restricted by state statutes and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1.

CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

3. DEPOSITS AND INVESTMENTS – CONTINUED

Deposits

Custodial Credit Risk – It is the City's policy to maintain its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All qualified public depositories must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a qualified public depository, excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all City deposits are considered fully insured. The City has no further custodial credit risk policy.

Investments

At September 30, 2015 the City held \$3,226,972 of investments in Regions Trust Cash Sweep, which are considered cash equivalents for reporting purposes and not subject to interest rate risk.

Interest Rate Risk – The City also maintains \$10,011 invested in SBA's Florida PRIME. The Florida PRIME current credit rating is AAAM by Standard and Poor's. The weighted average to maturity (WAM) of Florida PRIME at September 30, 2015, is 29 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. All the City's investments are excluded from the definition of custodial credit risk. The City has no investment policy regarding credit risk.

Concentration Credit Risk – The City places no limits on the amount it may invest on any one issuer. As of September 30, 2015, the City did not hold any investments that were considered to be a concentration credit risk.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

4. RECEIVABLES

Current receivables at September 30, 2015, were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	
Accounts	\$ 244,105	\$ -	\$ 183,999	\$ 357,876	\$ 48,945	\$ 834,925
Less allowance for doubtful accounts	(374)	-	(2,713)	(5,289)	(723)	(9,099)
Capital contributions, current	-	-	-	129,633	-	129,633
Receivables, net	<u>243,731</u>	<u>-</u>	<u>181,286</u>	<u>482,220</u>	<u>48,222</u>	<u>955,459</u>
Due from other governments	<u>129,513</u>	<u>363,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493,186</u>
Total	<u>\$ 373,244</u>	<u>\$ 363,673</u>	<u>\$ 181,286</u>	<u>\$ 482,220</u>	<u>\$ 48,222</u>	<u>\$ 1,448,645</u>

Due from Other Governments

All amounts due from other governments in the General Fund relate to 1/2 cent sales tax, communications service tax, local option fuel tax, and other intergovernmental revenue. Amounts due from other governments in the Capital Projects Fund relate to receivables from the Florida Department of Transportation.

Capital Contributions Receivable

On December 28, 2011, the City entered into an agreement with Sandy Creek Utility Services, Inc. to purchase and acquire the water distribution systems, as well as, the sewage collection systems of every kind and nature owned by Sandy Creek Utility Services, Inc. in Bay County Florida, located east of the north-south line of the Hathaway Bridge center point. The Sandy Creek Utility Services, Inc. decommissioned its treatment plants and transferred its remaining limited distribution and collection facilities to the City as of May 1, 2012, which completed the connection to the City's system.

The City's Impact Fee Ordinance and Special Capital Extension Fee Ordinance make it unlawful for any person to connect to the City's system without first paying the impact fees or special capital extension fees. On December 6, 2012, the City was granted a final judgment to assess and collect special capital extension fees and impact fees from property owners within the Sandy Creek Assessment Area ("Improved Lot Owners"). In order to meet bond covenant requirements, that require the fee to be collected, the City issued the Utility System Capital Improvement and Extension Revenue Bonds, Series 2012, in the amount of \$735,000 to finance the fees on behalf of the Sandy Creek Subdivision. The City will special assess the property owners within the Sandy Creek Assessment Area approximately \$1.4 million, plus legal costs in the amount of \$105,130, less grants of \$53,729 applied as a credit, over a ten year period.

As of September 30, 2015, the capital contributions receivable totaled \$907,433, including amounts due within twelve months of \$129,633. The outstanding receivable bears interest at a rate of 5.05%, which will be recognized over the remaining term of the receivable. The non-current portion of \$777,800 has been presented as an other asset at September 30, 2015.

CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

5. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 847,869	\$ -	\$ -	\$ 847,869
Construction in progress	51,343	343,314	-	394,657
Total capital assets not being depreciated/amortized	<u>899,212</u>	<u>343,314</u>	<u>-</u>	<u>1,242,526</u>
Capital assets being depreciated/amortized				
Buildings	4,085,141	-	-	4,085,141
Improvements other than buildings	7,571,363	311,652	-	7,883,015
Vehicles	805,565	105,310	(20,401)	890,474
Machinery and equipment	2,786,591	238,545	(10,361)	3,014,775
Software	102,946	-	-	102,946
Total capital assets being depreciated/amortized	<u>15,351,606</u>	<u>655,507</u>	<u>(30,762)</u>	<u>15,976,351</u>
Less accumulated depreciation/amortization				
Buildings	(812,016)	(112,487)	-	(924,503)
Improvements other than buildings	(3,285,453)	(219,650)	-	(3,505,103)
Vehicles	(597,164)	(56,438)	20,401	(633,201)
Machinery and equipment	(2,717,645)	(57,815)	10,361	(2,765,099)
Software	(21,781)	(20,589)	-	(42,370)
Total accumulated depreciation/amortization	<u>(7,434,059)</u>	<u>(466,979)</u>	<u>30,762</u>	<u>(7,870,276)</u>
Total capital assets being depreciated/amortized, net	<u>7,917,547</u>	<u>188,528</u>	<u>-</u>	<u>8,106,075</u>
Governmental activities, net	<u><u>\$ 8,816,759</u></u>	<u><u>\$ 531,842</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,348,601</u></u>

CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

5. CHANGES IN CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated/amortized				
Land	\$ 177,428	\$ -	\$ -	\$ 177,428
Construction in progress	-	-	-	-
Total capital assets not being depreciated/amortized	<u>177,428</u>	<u>-</u>	<u>-</u>	<u>177,428</u>
Capital assets being depreciated/amortized				
Buildings and improvements	5,710,362	-	-	5,710,362
Utility system	23,909,753	161,044	-	24,070,797
Vehicles	1,464,845	150,163	(14,101)	1,600,907
Machinery and equipment	1,260,749	592,786	(48,495)	1,805,040
Total capital assets being depreciated/amortized	<u>32,345,709</u>	<u>903,993</u>	<u>(62,596)</u>	<u>33,187,106</u>
Less accumulated depreciation/amortization				
Buildings and improvements	(3,734,878)	(169,077)	-	(3,903,955)
Utility system	(3,886,258)	(643,685)	-	(4,529,943)
Vehicles	(1,307,942)	(42,322)	14,101	(1,336,163)
Machinery and equipment	(1,176,258)	(52,732)	48,495	(1,180,495)
Total accumulated depreciation/amortization	<u>(10,105,336)</u>	<u>(907,816)</u>	<u>62,596</u>	<u>(10,950,556)</u>
Total capital assets being depreciated/amortized, net	<u>22,240,373</u>	<u>(3,823)</u>	<u>-</u>	<u>22,236,550</u>
Business-type activities, net	<u>\$ 22,417,801</u>	<u>\$ (3,823)</u>	<u>\$ -</u>	<u>\$ 22,413,978</u>

Depreciation/Amortization Expense by Function

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

Governmental activities	
General government	\$ 78,160
Public safety	119,523
Highways and streets	77,959
Maintenance	14,134
Parks and recreation	177,203
Total depreciation/amortization expense – governmental activities	<u>\$ 466,979</u>
Business-type activities	
Water	\$ 426,679
Sewer	451,931
Solid waste	29,206
Total depreciation/amortization expense – business-type activities	<u>\$ 907,816</u>

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

5. CHANGES IN CAPITAL ASSETS – CONTINUED

Open Commitments on Construction Projects

The City has construction projects as of September 30, 2015, as referenced below. The remaining amounts on those projects at year-end are as follows:

Project	Contract Amount	Expended to Date	Remaining Commitment
<i>Governmental Activities</i>			
Lance St. Pridgen St. Project	\$ 606,705	\$ 333,787	\$ 272,918
Bob Little Road Sidewalk Project	40,000	39,508	492
Drainage project	98,513	21,362	77,151
Totals	<u>\$ 745,218</u>	<u>\$ 394,657</u>	<u>\$ 350,561</u>

6. PENSION PLAN

Florida Retirement System

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

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

Pension Plan

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

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

CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

6. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

Benefits Provided – Continued – Special Risk class members (firefighters) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

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

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

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

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular—7.37% and 7.26%; Special Risk—19.82% and 22.04%; Senior Management Service—21.14% and 21.43%; Elected Officers'—43.24% and 42.27%; and DROP participants—12.28% and 18.75%. These employer contribution rates include 1.20% and 1.26% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

Contributions – Continued – The City’s contributions, including employee contributions, to the Pension Plan totaled \$229,916 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$1,218,037 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City’s proportionate share of the net pension liability was based on the City’s 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City’s proportionate share was 0.009430204 percent, which was an increase of 0.000106009 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$44,743. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 128,589	\$ 28,888
Change of assumptions	80,845	-
Net difference between projected and actual earnings on Pension Plan investments	-	290,847
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	13,912	193,346
City Pension Plan contributions subsequent to the measurement date	66,928	-
	\$ 290,274	\$ 513,081

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued – A component of deferred outflows of resources related to the Pension Plan of \$66,928 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan, except for changes in proportion and related differences in the share of contributions, will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2016	\$ (96,356)
2017	(96,356)
2018	(96,356)
2019	143,602
2020	27,887
Thereafter	<u>7,279</u>
	<u>\$ (110,301)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-term bonds	18.00%	4.18%	4.05%	5.15%
High yield bonds	3.00%	6.79%	6.25%	10.95%
Broad US equities	26.50%	8.51%	6.95%	18.90%
Developed foreign entities	21.20%	8.66%	6.85%	20.40%
Emerging market equities	5.30%	11.58%	7.60%	31.15%
Private equity	6.00%	11.80%	8.11%	30.00%
Hedge funds/absolute return	7.00%	5.81%	5.35%	10.00%
Real estate (property)	12.00%	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed inflation – mean		2.60%		2.00%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City’s proportionate share of the net pension liability (asset)	\$ 3,156,210	\$ 1,218,037	\$ (394,841)

CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

6. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

Pension Plan – Continued

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

HIS Plan

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

Benefits Provided – For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City’s contributions to the HIS Plan totaled \$30,993 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$826,863 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City’s proportionate share of the net pension liability was based on the City’s 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City’s proportionate share was 0.008107753 percent, which was a decrease of 0.000179954 percent from its proportionate share measured as of June 30, 2014.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

HIS Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued – For the fiscal year ended September 30, 2015, the City recognized pension expense of \$45,984. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 65,053	\$ -
Net difference between projected and actual earnings on Pension Plan investments	448	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	-	83,464
City Pension Plan contributions subsequent to the measurement date	11,758	-
	\$ 77,259	\$ 83,464

A component of deferred outflows of resources related to the HIS Plan, totaling \$11,758 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan, except for changes in the proportion and related differences in the share of contributions will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ 11,329
2017	11,329
2018	11,329
2019	11,238
2020	11,194
Thereafter	9,083
	\$ 65,501

Actuarial Assumptions – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	4.29%

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

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

6. PENSION PLAN – CONTINUED

Florida Retirement System – Continued

HIS Plan – Continued

Actuarial Assumptions – Continued – The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 4.29%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 4.29%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.29%) or one percentage point higher (5.29%) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
City's proportionate share of the net pension liability (asset)	\$ 942,172	\$ 826,863	\$ 730,713

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

7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

During the year ended September 30, 2010 (date of last valuation), the City implemented Governmental Accounting Standards Board Statement (GASB) No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, for certain postemployment health care benefits provided by the City.

Plan Description

Pursuant to Section 112.0801, Florida Statutes, the City is mandated to permit eligible retirees and their eligible dependents to participate in the health insurance at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

7. OTHER POST EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Funding Policy, Membership and Net OPEB Obligation

The City finances the post-employment benefits on a "pay-as-you-go" basis. For the year ending September 30, 2010 (date of last valuation), the City did not have any retirees that participated in the plan, nor does it expect future retirees (current active employees) to participate. Based on the current and expected participation, an independent actuary's assessment was that there was no annual required contribution (ARC) and net OPEB obligation for the year ending September 30, 2010 (date of last valuation). Since conditions have not changed, management believes there is no annual required contribution or net OPEB obligation at September 30, 2015.

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; workers' compensation claims and natural disasters. The City purchases commercial insurance for all risk of loss. There has been no significant reduction in insurance coverage from the prior year. Commercial insurance coverage has been sufficient to cover all claims made in the prior three fiscal years.

9. LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

Long-term debt activity for the year ended September 30, 2015, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Revenues bonds payable	\$ 1,457,692	\$ -	\$ (26,000)	\$ 1,431,692	\$ 28,000
Compensated absences	87,146	93,720	(85,218)	95,648	95,648
Total governmental activities	<u>\$ 1,544,838</u>	<u>\$ 93,720</u>	<u>\$ (111,218)</u>	<u>\$ 1,527,340</u>	<u>\$ 123,648</u>
Business-type activities					
Revenue bonds payable	\$ 21,757,224	\$ -	\$ (588,502)	\$ 21,168,722	\$ 610,500
Add unamortized bond issuance premium	11,357	-	(11,357)	-	-
Notes payable	8,859,095	-	(1,144,465)	7,714,630	1,178,910
Compensated absences	62,068	44,575	(55,449)	51,194	51,194
Total business-type activities	<u>\$ 30,689,744</u>	<u>\$ 44,575</u>	<u>\$ (1,799,773)</u>	<u>\$ 28,934,546</u>	<u>\$ 1,840,604</u>

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

9. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding

	Current	Long-Term	Total
GOVERNMENTAL ACTIVITIES			
<i>Revenue Bond Payable</i>			
\$2,000,000 Public Safety Capital Improvement Revenue Bonds, Series 2009, principal payable annually on September 1 in amounts ranging from \$21,000 to \$84,000, and interest payable annually at 4.375% and a final maturity on September 1, 2043; secured by pledging of Public Service Tax and Gas Franchise Fees. The City has pledged to budget and appropriate non ad valorem revenues, amounts sufficient to cover any shortfalls in the amounts of pledged funds available to pay the bonds. This entire bond was used to finance capital assets.	\$ 28,000	\$ 1,403,692	\$ 1,431,692
<i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types	95,648	-	95,648
TOTAL GOVERNMENTAL ACTIVITIES	\$ 123,648	\$ 1,403,692	\$ 1,527,340
BUSINESS-TYPE ACTIVITIES			
<i>Revenue Bonds</i>			
Authorized and issued \$20,435,000 Capital Improvement Revenue Bonds, Series 2007; 4.20% to 5.25% interest, depending on maturity dates of bonds. Principal and interest is payable semi annually on February 1 and August 1. Final maturity on bonds is August 1, 2037. Principal payment began August 1, 2010. As of September 30, 2015, this bond has funded \$9,534,195 of capital assets. The Capital Improvement Revenue Bond requires the establishment of a reserve fund which must maintain a balance equal to the lesser of (i) 10% of the proceeds of the Bonds, (ii) Maximum Debt Service Requirement for the Bonds, or (iii) 125% of the average annual Debt Service Requirement for the Bonds.	\$ 485,000	\$ 18,140,000	\$ 18,625,000
Authorized and issued \$2,415,246 Utility System Revenue Bonds, Series 2008, payable in quarterly installments of \$37,192 including interest, with a final maturity and balloon payment on October 30, 2018 of \$1,952,652. Interest accrues at an annual rate of 4.53% This bond is secured by a pledge to budget and appropriate non ad valorem revenues. This entire bond was used to finance capital assets.	52,000	2,064,313	2,116,313

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

9. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

	Current	Long-Term	Total
<i>Revenue Bonds – Continued</i>			
Authorized and issued \$735,000 Utility System Capital Improvement and Extension Revenue Bonds, interest payable in semi annual installments and principal payable annually, with a final maturity on June 30, 2022. Interest accrues at an annual rate of 5.05%. This bond is secured by a pledge of the impact fees and special capital extension fees to fund the cost of capital improvements upon all properties formerly permitted and obligated to be served by Sandy Creek Utility Services, Inc.	73,500	353,909	427,409
Total revenue bonds	610,500	20,558,222	21,168,722
<i>Notes payable</i>			
State of Florida State Revolving Loan Fund Program for the joint venture (Military Point Advanced Wastewater Treatment Facility) between Bay County, City of Callaway, City of Springfield, City of Parker, and the Town of Cedar Grove. The funds are being used directly by the joint venture with Bay County, Florida, and the City of Callaway as joint obligators. The loan payments are made directly by the joint venture. The note carries an interest rate of 2.82%. Payments of \$1,000,150 are due on a semi annual basis beginning September 1, 1999. Collateralized by the net revenues of the Military Point Advanced Wastewater Treatment Facility. As obligor, the City of Callaway has reported one half of the liability on these financial statements with the remaining one half reported by Bay County, Florida. The City is also contingently liable for the one half reported by Bay County, Florida.	811,910	2,132,220	2,944,130
Military Point Advanced Wastewater Treatment Facility. The interest rate is 3.31% per annum. The loans are collateralized by assets and the anticipated net system revenues of the MPAWTF. The note was used to defease Series 2004 Revenue Bonds.	367,000	4,403,500	4,770,500
Total notes payable	1,178,910	6,535,720	7,714,630
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Enterprise Funds	51,194	-	51,194
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 1,840,604	\$ 27,093,942	\$ 28,934,546
GRAND TOTAL LONG-TERM DEBT			\$ 30,461,886

For the governmental activities, compensated absences are generally liquidated by the General Fund.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

9. LONG-TERM DEBT – CONTINUED

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave, as of September 30, 2015, are outlined in the table below. Subsequent events related to long-term debt, as further detailed in Note 15 of the financial statements, have been factored into the following:

Year Ending September 30	Governmental Activities		Business-Type Activities			
	Revenue Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,431,692	\$ -	\$ 4,904,813	\$ 453,022	\$ 1,178,910	\$ 237,766
2017	-	-	73,500	672,456	1,213,994	202,349
2018	-	-	73,500	668,742	1,250,240	165,866
2019	-	-	73,500	665,030	842,485	141,444
2020	-	-	73,500	661,318	418,000	108,516
2021-2025	-	-	3,694,909	2,944,276	2,304,500	322,457
2026-2030	-	-	4,470,000	2,099,670	506,501	17,022
2031-2035	-	-	5,325,000	1,244,726	-	-
2036-2040	-	-	2,480,000	140,250	-	-
Total	\$ 1,431,692	\$ -	\$ 21,168,722	\$ 9,549,490	\$ 7,714,630	\$ 1,195,420

10. PLEDGED REVENUES

Governmental Activities

The \$2,000,000 Public Safety Capital Improvement Revenue Bonds, Series 2009 were used to refund a bond anticipation note as part of financing the costs of acquisition and construction of a police and fire public safety building. Bonds are secured by pledging of Public Service Tax and Gas Franchise Fees. The City has pledged to budget and appropriate non-ad valorem revenues, amounts sufficient to cover any shortfalls in the amount of pledged funds available to pay the bonds. The pledge remains in effect until extinguishments or maturity of the debt in 2043, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2015, totaled \$2,496,031.

Business Type Activities

The \$20,435,000 Capital Improvement Revenue Bonds were issued to finance the cost of acquisition and construction of certain capital improvements in connection with the water and sewer utility system. The bonds are secured by special capital extension fees and the City's pledge to budget and appropriate non-ad valorem revenues in amounts sufficient to cover any shortfalls in the amount of pledged funds. The pledge remains in effect until extinguishments or maturity of the debt in 2037, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2015 totaled \$31,671,491.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

11. INTERFUND TRANSFERS

The composition of interfund balances as of September 30, 2015, is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	
General Fund	\$ 23,037	\$ 89,757	\$ 521,028	\$ 347,364	\$ 981,186

Transfers of \$89,757 out of the General Fund to the Debt Service Fund represent amounts for debt principal and interest payments. Transfers of \$23,037 out of the General Fund to the Capital Projects Fund represent amounts for certain capital outlay expenditures. Transfers of \$521,028 and \$347,364 out of the General Fund to the Water Fund and Sewer Fund, respectively, represent amounts for utility franchise fees.

12. JOINT VENTURE

The City of Callaway, Florida, in alliance with Bay County, Florida, the cities of Springfield, Parker, and the former Town of Cedar Grove joined efforts on September 27, 1996 to supply existing and expanded wastewater treatment and disposal services. The mission of this partnership is to provide these services in an economical, efficient, and environmentally appropriate manner to their respective citizenry. This venture, known as the Military Point Advanced Wastewater Treatment Facility (MPAWTF), has constructed a 7.0 MGD advanced wastewater facility. The operations of the plant began in July 1999. Costs of the project were funded through a combination of a state of Florida revolving trust loan and a bond issue between Bay County, the City of Callaway and the joint venture.

The joint venture is owned and governed by Bay County, Florida and the cities of Callaway, Parker and Springfield. The City of Callaway's capacity percentage in the joint venture is 30.545% as of September 30, 2015. One owner is selected by the other to be responsible for operating the MPAWTF. The owner delegated to be the operator is Bay County, Florida. The operator of the MPAWTF, in accordance with the interlocal agreement, prepares the MPAWTF's annual budget, sets treatment rates, and collects funds sufficient to pay debt service; costs of operations and maintenance; renewal and replacement; and enhancements to reserves.

The results of operations and cash flows are accounted for, in total, within the financial statements of the joint venture. The City's interest in equity is reported within the City's Sewer Fund. As of September 30, 2015, the City's portion of the equity of the venture was \$5,656,103. Complete financial statements for the joint venture, may be obtained from the operator at P.O. Box 2269, Panama City, Florida 32402.

As of September 30, 2015, the City owes the joint venture \$81,033, for transferred collection systems and a segregation line, and the joint venture owes the City \$770,131, for excess funds accumulated in the repair and replacement account and reserve account. The City has reduced this receivable by \$308,000 at September 30, 2015, due to subsequent events disclosed in Note 15 to the financial statements. This balance has been recorded in the Sewer Fund as "due to joint venture" and "due from joint venture", respectively. In addition, the City is owed \$7,714,630 at September 30, 2015 from the joint venture. This represents the outstanding obligation of the MPAWTF to the City for the Wastewater Revenue Bonds issued in the City's name. The bond proceeds were transferred to MPAWTF and used for capital expansion. The outstanding obligation of the City related to these bond and note payables, which are reported as debt in the City's Sewer Fund is \$7,714,630 at September 30, 2015.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

12. JOINT VENTURE – CONTINUED

Condensed financial statements from the MPAWTF are as follows:

**Statement of Net Position
For the Year Ended September 30, 2015**

Assets	
Current assets	\$ 9,465,809
Noncurrent assets	21,149,712
Total assets	<u>30,615,521</u>
Deferred outflows	
Deferred loss on bond refunding	903,532
Liabilities	
Current liabilities	3,958,652
Noncurrent liabilities	13,944,001
Total liabilities	<u>17,902,653</u>
Net position	<u>\$ 13,616,400</u>

**Statement of Activities
For the Year Ended September 30, 2015**

Operating revenues	\$ 6,839,899
Operating expenses	4,941,395
Operating income	1,898,504
Non-operating revenues (expenses), net	<u>(639,874)</u>
Net income before distribution to owners	1,258,630
Distribution to owners	661,132
Change in net position	597,498
Net position, beginning of year	<u>13,018,902</u>
Net position, end of year	<u>\$ 13,616,400</u>

The City of Callaway's investment in joint venture increased in the amount of \$252,197, derived as follows:

Share of net income	\$ 576,822
Distribution to owners	(193,924)
Increase in reserve requirements	<u>(130,701)</u>
Increase in investment in joint venture	<u>\$ 252,197</u>

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

13. COMMITMENTS AND CONTINGENCIES

Law Enforcement Services

In August 2015, the City entered into an agreement with the Sheriff of Bay County, Florida, requesting the Sheriff provide police services to the City at the cost of \$1,476,530 for the twelve month period beginning October 1, 2015 and ending September 30, 2016. This agreement includes an automatic renewal for a one year term that shall commence on October 1, 2016 and terminate September 30, 2017 at the rate of 105% of the fiscal year 2016 amount.

14. CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF NET POSITION

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. (GASB 68) as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* (GASB 71), effective for fiscal years beginning after June 15, 2014. The primary objective of these statement are to improve accounting and financial reporting by state and local governments for pensions. The impact of the City's adoption of GASB 68 and GASB 71 in fiscal year 2015 requires the City to restate the beginning net position in both governmental activities as well as business-type activities statement of activities and the proprietary funds statement of revenues, expenses, and changes in net position in the amount of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension as of October 1, 2014. The City's beginning net positions were decreased \$2,457,946 as detailed below:

	Governmental Activities	Business-Type Activities		
		Water Fund	Sewer Fund	Solid Waste Fund
Net positions, as previously reported	\$ 10,964,424	\$ 6,128,726	\$ 14,773,205	\$ 886,607
Restatement	(1,629,834)	(260,910)	(409,933)	(157,269)
Net positions, restated	<u>\$ 9,334,590</u>	<u>\$ 5,867,816</u>	<u>\$ 14,363,272</u>	<u>\$ 729,338</u>

15. SUBSEQUENT EVENTS

Capital Improvement Revenue Refunding Bonds, Series 2015

The Capital Improvement Revenue Bonds, Series 2007 were advance refunded in November 2015 via Capital Improvement Revenue Refunding Bonds, Series 2015. The purpose of this advance refunding was to take advantage of lower interest rates – the advance refunding generated \$1,352,471 of net present value debt service savings. The August 2037 maturity date of these Series 2015 revenue refunding bonds remained the same as the refunded Series 2007 revenue bonds. There is an optional redemption for the 2015 bonds maturing on or after August 1, 2026, which are subject to redemption prior to maturity on August 1, 2025 at par.

**CITY OF CALLAWAY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

15. SUBSEQUENT EVENTS – CONTINUED

Public Safety Bond Payoff

In December 2015, the City paid off the outstanding balance on the Public Safety Capital Improvement Revenue Bonds, Series 2009 in the governmental activities. The payoff amount was equal to the amount due at September 30, 2015, \$1,431,692.

Water Tank Payoff

In January 2016, the City paid off the outstanding balance on the Utility System Revenue Bond, Series 2008 in the business-type activities (Water Fund). The payoff amount was \$2,103,278. Prior to the payoff, a scheduled payment was made including roughly \$13,000 of principal which represents the difference between the payoff amount and the balance of the bonds reported at year-end.

Settlement with Joint Venture

In February 2016, the Military Point Advance Wastewater Treatment Facility (MPAWTF) and the City agreed to a settlement whereby the City will be responsible for approximately \$308,000 of repair costs relating to the Advance Wastewater Treatment 2 (AWT2) lift station. The dispute stemmed from emergency repairs necessary at the AWT2 lift station surrounding a high output of hydrogen sulfide gas. As of September 30, 2015, \$770,131 was due from the MPAWTF to the City – most of this amount was being withheld from the City pending the settlement of this matter. It was agreed to as a part of the settlement that the cost of the repairs will be deducted against the amount owed to the City. The City has recorded this adjustment as of September 30, 2015.

**CITY OF CALLAWAY, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT –
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Legislative	\$ 32,959	\$ 33,134	\$ 29,954	\$ 3,180
Executive	136,017	143,059	136,442	6,617
Financial and administrative	67,062	82,057	79,111	2,946
Legal counsel	37,012	54,912	54,595	317
Comprehensive planning and code enforcement	267,514	271,514	221,039	50,475
Other general governmental services	229,299	239,961	207,876	32,085
Law enforcement	1,412,989	1,413,189	1,413,138	51
Fire control	994,850	996,543	984,656	11,887
Highways and streets	1,044,266	1,069,446	910,014	159,432
Maintenance	127,355	127,848	120,146	7,702
Leisure services	791,099	791,099	769,445	21,654
TOTAL GENERAL FUND EXPENDITURES BY DEPARTMENT	<u><u>\$ 5,140,422</u></u>	<u><u>\$ 5,222,762</u></u>	<u><u>\$ 4,926,416</u></u>	<u><u>\$ 296,346</u></u>

**CITY OF CALLAWAY, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2015**

	<u>Special Revenue Fund</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Community Redevelopment</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
ASSETS				
Cash and cash equivalents	\$ 96,081	\$ -	\$ -	\$ 96,081
Due from other funds	8,871	-	-	8,871
Due from other governments	<u>-</u>	<u>363,673</u>	<u>-</u>	<u>363,673</u>
TOTAL ASSETS	<u>\$ 104,952</u>	<u>\$ 363,673</u>	<u>\$ -</u>	<u>\$ 468,625</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ -	\$ 315,440	\$ -	\$ 315,440
Due to other funds	<u>-</u>	<u>48,233</u>	<u>-</u>	<u>48,233</u>
TOTAL LIABILITIES	<u>-</u>	<u>363,673</u>	<u>-</u>	<u>363,673</u>
FUND BALANCE				
Restricted				
Redevelopment	<u>104,952</u>	<u>-</u>	<u>-</u>	<u>104,952</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 104,952</u>	<u>\$ 363,673</u>	<u>\$ -</u>	<u>\$ 468,625</u>

**CITY OF CALLAWAY, FLORIDA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Special Revenue Fund Community Redevelopment</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes	\$ 8,403	\$ -	\$ -	\$ 8,403
Intergovernmental	17,164	444,526	-	461,690
Miscellaneous	18	-	-	18
Total revenues	<u>25,585</u>	<u>444,526</u>	<u>-</u>	<u>470,111</u>
EXPENDITURES				
Current				
General government	2,060	-	-	2,060
Capital outlay	35,456	467,563	-	503,019
Debt service				
Principal	-	-	26,000	26,000
Interest	-	-	63,757	63,757
Total expenditures	<u>37,516</u>	<u>467,563</u>	<u>89,757</u>	<u>594,836</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,931)</u>	<u>(23,037)</u>	<u>(89,757)</u>	<u>(124,725)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	23,037	89,757	112,794
NET CHANGE IN FUND BALANCE	(11,931)	-	-	(11,931)
FUND BALANCE AT BEGINNING OF YEAR	<u>116,883</u>	<u>-</u>	<u>-</u>	<u>116,883</u>
FUND BALANCE AT END OF YEAR	<u>\$ 104,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,952</u>

**CITY OF CALLAWAY, FLORIDA
COMMUNITY REDEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 8,403	\$ 8,403	\$ 8,403	\$ -
Intergovernmental	17,367	17,367	17,164	(203)
Miscellaneous	-	-	18	18
Total revenues	<u>25,770</u>	<u>25,770</u>	<u>25,585</u>	<u>(185)</u>
EXPENDITURES				
Current				
General government	24,300	24,595	2,060	22,535
Capital outlay	<u>91,818</u>	<u>91,523</u>	<u>35,456</u>	<u>56,067</u>
Total expenditures	<u>116,118</u>	<u>116,118</u>	<u>37,516</u>	<u>78,602</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(90,348)</u>	<u>(90,348)</u>	<u>(11,931)</u>	<u>78,417</u>
NET CHANGE IN FUND BALANCE	(90,348)	(90,348)	(11,931)	78,417
FUND BALANCE AT BEGINNING OF YEAR	<u>90,348</u>	<u>90,348</u>	<u>116,883</u>	<u>26,535</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,952</u>	<u>\$ 104,952</u>

**CITY OF CALLAWAY, FLORIDA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 821,238	\$ 821,238	\$ 444,526	\$ (376,712)
EXPENDITURES				
Capital outlay	<u>1,021,126</u>	<u>935,888</u>	<u>467,563</u>	<u>468,325</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(199,888)</u>	<u>(114,650)</u>	<u>(23,037)</u>	<u>91,613</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>298,400</u>	<u>114,650</u>	<u>23,037</u>	<u>(91,613)</u>
NET CHANGE IN FUND BALANCE	98,512	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 98,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF CALLAWAY, FLORIDA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service				
Principal	26,000	26,000	26,000	-
Interest	63,757	63,757	63,757	-
Total expenditures	<u>89,757</u>	<u>89,757</u>	<u>89,757</u>	<u>-</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(89,757)</u>	<u>(89,757)</u>	<u>(89,757)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>89,757</u>	<u>89,757</u>	<u>89,757</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CALLAWAY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.009430204%	0.009324195%
City's proportionate share of the net pension liability (asset)	\$ 1,218,037	\$ 568,913
City's covered-employee payroll	\$ 2,425,141	\$ 2,286,632
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.23%	24.88%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

* The amounts presented for each fiscal year were determined as of 6/30.

**CITY OF CALLAWAY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.008107753%	0.008287707%
City's proportionate share of the net pension liability (asset)	\$ 826,863	\$ 774,921
City's covered-employee payroll	\$ 2,425,141	\$ 2,286,632
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.10%	33.89%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

* The amounts presented for each fiscal year were determined as of 6/30.

**CITY OF CALLAWAY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 229,916	\$ 204,239
Contributions in relation to the contractually required contribution	<u>(229,916)</u>	<u>(204,239)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,425,141	\$ 2,286,632
Contributions as a percentage of covered-employee payroll	9.48%	8.93%

* The amounts presented for each fiscal year were determined as of 6/30.

**CITY OF CALLAWAY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST TWO YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 30,993	\$ 28,391
Contributions in relation to the contractually required contribution	<u>(30,993)</u>	<u>(28,391)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,425,141	\$ 2,286,632
Contributions as a percentage of covered-employee payroll	1.28%	1.24%

* The amounts presented for each fiscal year were determined as of 6/30.

III. STATISTICAL SECTION

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

	<u>Tables</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1 - 7
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and water and sewer	8 - 14
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.*	15 - 17
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and help make comparisons over time and with other governments.	18 - 20
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and activities it performs.	21 - 23

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

Note: The City has no direct and overlapping debt related to governmental activities.

* Florida Statutes and the Charter of the City of Callaway set no legal debt margin. The City has not had any general bonded debt, supported by property taxes, in the last ten fiscal years.

FINANCIAL TRENDS - Table 1

**City of Callaway, Florida
NET POSITION BY COMPONENT (UNAUDITED)
Last Ten Years
(accrual basis of accounting)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 4,788,414	\$ 4,859,182	\$ 5,004,857	\$ 5,820,843	\$ 5,748,338	\$ 5,678,129	\$ 6,173,625	\$ 7,426,132	\$ 7,359,067	\$ 7,916,909
Restricted	-	-	-	98,312	119,116	439,994	250,830	283,579	355,519	336,632
Unrestricted	<u>2,757,714</u>	<u>2,818,070</u>	<u>2,789,570</u>	<u>2,159,396</u>	<u>2,232,113</u>	<u>2,391,876</u>	<u>2,858,487</u>	<u>2,755,559</u>	<u>3,249,838</u>	<u>1,994,767</u>
Total governmental activities net position	<u>\$ 7,546,128</u>	<u>\$ 7,677,252</u>	<u>\$ 7,794,427</u>	<u>\$ 8,078,551</u>	<u>\$ 8,099,567</u>	<u>\$ 8,509,999</u>	<u>\$ 9,282,942</u>	<u>\$ 10,465,270</u>	<u>\$ 10,964,424</u>	<u>\$ 10,248,308</u>
Business-type activities										
Net investment in capital assets	\$7,587,634	\$ 11,445,202	\$ 12,676,120	\$ 10,579,282	\$ 8,071,857	\$ 7,018,204	\$ 6,254,985	\$ 5,399,952	\$ 4,381,434	\$ 2,790,405
Restricted	3,830,294	2,588,102	4,352,690	4,663,285	3,167,213	3,275,642	3,365,666	4,526,241	4,297,483	4,326,900
Unrestricted	<u>6,094,870</u>	<u>4,190,277</u>	<u>2,389,397</u>	<u>4,990,045</u>	<u>9,819,205</u>	<u>11,128,348</u>	<u>11,558,742</u>	<u>12,424,142</u>	<u>13,109,621</u>	<u>15,304,950</u>
Total business-type activities net position	<u>\$ 17,512,798</u>	<u>\$ 18,223,581</u>	<u>\$ 19,418,207</u>	<u>\$ 20,232,612</u>	<u>\$ 21,058,275</u>	<u>\$ 21,422,194</u>	<u>\$ 21,179,393</u>	<u>\$ 22,350,335</u>	<u>\$ 21,788,538</u>	<u>\$ 22,422,255</u>
Primary government										
Net investment in capital assets	\$ 12,376,048	\$ 16,304,384	\$ 17,680,977	\$ 16,400,125	\$ 13,820,195	\$ 12,696,333	\$ 12,428,610	\$ 12,826,084	\$ 11,740,501	10,707,314
Restricted	3,830,294	2,588,102	4,352,690	4,761,597	3,286,329	3,715,636	3,616,496	4,809,820	4,653,002	4,663,532
Unrestricted	<u>8,852,584</u>	<u>7,008,347</u>	<u>5,178,967</u>	<u>7,149,441</u>	<u>12,051,318</u>	<u>13,520,224</u>	<u>14,417,229</u>	<u>15,179,701</u>	<u>16,359,459</u>	<u>17,299,717</u>
Total primary government net position	<u>\$ 25,058,926</u>	<u>\$ 25,900,833</u>	<u>\$ 27,212,634</u>	<u>\$ 28,311,163</u>	<u>\$ 29,157,842</u>	<u>\$ 29,932,193</u>	<u>\$ 30,462,335</u>	<u>\$ 32,815,605</u>	<u>\$ 32,752,962</u>	<u>\$ 32,670,563</u>

City of Callaway, Florida
CHANGES IN NET POSITION
(UNAUDITED)
Last Ten Fiscal Years
(accrual basis of accounting)

FINANCIAL TRENDS - Table 2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
General government	\$ 1,249,361	\$ 1,481,783	\$ 1,510,725	\$ 1,428,755	\$ 1,473,421	\$ 1,155,767	\$ 837,397	\$ 935,860	\$ 797,130	\$ 773,718
Public safety	1,736,545	1,980,656	2,092,076	2,252,925	2,296,930	2,277,754	2,223,594	2,300,597	2,340,818	2,411,028
Highways and streets	1,110,675	1,044,888	1,217,346	1,131,209	918,502	725,828	864,132	869,349	721,899	686,289
Maintenance	129,386	157,516	172,458	164,932	166,980	156,977	117,596	117,759	129,116	121,005
Economic environment	-	-	-	-	-	316,056	433,436	-	-	-
Parks and recreation	746,788	891,384	943,321	935,027	905,750	858,207	839,514	810,040	785,034	794,088
Interest on long-term debt	91,070	71,421	118,029	146,045	154,141	143,685	133,574	112,647	80,112	63,666
Total governmental activities expenses	5,063,825	5,627,648	6,053,955	6,058,893	5,915,724	5,634,274	5,449,243	5,146,252	4,854,109	4,849,794
Business-type activities										
Water	1,633,827	1,839,575	2,560,264	2,137,414	2,414,822	2,773,062	3,105,426	3,002,667	2,992,779	2,790,369
Sewer	2,809,862	2,934,665	3,458,947	3,514,294	3,378,613	3,700,790	4,197,623	4,316,635	4,173,902	4,096,799
Solid waste	508,373	472,302	477,296	401,935	408,089	420,763	496,297	578,697	547,459	530,268
Total business-type activities expenses	4,952,062	5,246,542	6,496,507	6,053,643	6,201,524	6,894,615	7,799,346	7,897,999	7,714,140	7,417,436
Total primary government expenses	\$ 10,015,887	\$ 10,874,190	\$ 12,550,462	\$ 12,112,536	\$ 12,117,248	\$ 12,528,889	\$ 13,248,589	\$ 13,044,251	\$ 12,568,249	\$ 12,267,230
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 127,626	\$ 144,299	\$ 140,517	\$ 136,832	\$ 109,118	\$ 143,777	\$ 182,801	\$ 179,349	\$ 163,791	\$ 214,496
Public safety	74,132	74,132	77,839	93,416	90,108	94,613	99,344	104,311	109,527	115,003
Highways and streets	-	-	-	12,813	8,799	-	-	5,866	32,263	2,933
Parks and recreation	2,510	29,887	40,519	34,203	40,567	41,157	36,676	43,511	58,652	63,311
Operating grants and contributions	-	-	-	-	-	319,215	434,915	3,936	39,644	4,698
Capital grants and contributions	-	-	-	317,500	-	18,735	235,093	53,902	256,459	494,234
Total governmental activities program revenue	204,268	248,318	258,875	594,764	248,592	617,497	988,829	390,875	660,336	894,675
Business-type activities										
Charges for services										
Water	4,224,080	2,094,382	2,198,987	2,210,074	2,190,347	2,316,974	2,250,585	2,278,329	2,374,145	2,588,891
Sewer	5,515,209	3,725,879	4,068,038	4,221,710	3,671,947	3,749,923	3,795,533	4,650,125	4,297,429	4,644,391
Solid waste	413,017	424,797	535,519	553,196	558,376	554,724	555,626	559,394	573,013	577,125
Operating grants and contributions	-	3,694	-	-	154,176	151,146	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	314,961	1,426,988	121,718	95,209
Total business-type activities program revenue	10,152,306	6,248,752	6,802,544	6,984,980	6,574,846	6,772,767	6,916,705	8,914,836	7,366,305	7,905,619
Total primary government program revenues	\$ 10,356,574	\$ 6,497,070	\$ 7,061,419	\$ 7,579,744	\$ 6,823,438	\$ 7,390,264	\$ 7,905,534	\$ 9,305,711	\$ 8,026,641	\$ 8,800,291

Continued...

City of Callaway, Florida
CHANGES IN NET POSITION
(UNAUDITED)
Last Ten Fiscal Years
(accrual basis of accounting)

FINANCIAL TRENDS - Table 2

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expenses) Revenues										
Governmental activities	\$ (4,859,557)	\$ (5,379,330)	\$ (5,795,080)	\$ (5,464,129)	\$ (5,667,132)	\$ (5,016,777)	\$ (4,460,414)	\$ (4,755,377)	\$ (4,193,773)	\$ (3,955,119)
Business-type activities	5,200,244	1,002,210	306,037	931,337	373,322	(121,848)	(882,641)	1,016,837	(347,835)	488,180
Total primary government net expense	<u>\$ 340,687</u>	<u>\$ (4,377,120)</u>	<u>\$ (5,489,043)</u>	<u>\$ (4,532,792)</u>	<u>\$ (5,293,810)</u>	<u>\$ (5,138,625)</u>	<u>\$ (5,343,055)</u>	<u>\$ (3,738,540)</u>	<u>\$ (4,541,608)</u>	<u>\$ (3,466,939)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Utility	\$ 1,396,072	\$ 1,409,598	\$ 1,464,255	\$ 1,482,732	\$ 1,566,607	\$ 1,537,085	\$ 1,482,510	\$ 1,526,782	\$ 1,622,733	\$ 1,667,930
Ad valorem	782,053	1,011,027	1,347,625	1,348,637	1,185,386	1,226,369	1,133,056	1,091,376	1,022,354	1,009,731
Franchise taxes**	675,419	715,528	728,667	813,069	867,255	829,005	730,848	706,002	-	868,381
Business license tax*	-	-	21,775	21,580	19,561	17,415	22,653	20,864	29,932	15,717
Local option gas tax	251,277	248,106	242,438	252,604	257,779	210,226	205,119	257,743	238,607	220,970
Half cent sales tax	1,287,103	1,153,900	1,073,559	1,000,953	963,896	1,028,149	1,049,275	1,111,477	1,162,322	1,253,645
Intergovernmental	733,985	585,862	538,737	533,331	619,134	535,787	541,797	562,553	584,089	657,994
Total taxes	5,125,909	5,124,021	5,417,056	5,452,906	5,479,618	5,384,036	5,165,258	5,276,797	4,660,037	5,694,368
Miscellaneous revenues	100,743	82,032	170,120	45,053	38,804	38,318	63,227	81,728	28,806	42,861
Interest earnings	97,535	124,401	140,079	65,294	18,226	4,855	4,872	4,180	4,084	-
Special Item	-	-	-	-	-	-	-	575,000	-	-
Transfers	150,000	180,000	185,000	185,000	151,500	-	-	-	-	(868,392)
Total governmental activities	<u>5,474,187</u>	<u>5,510,454</u>	<u>5,912,255</u>	<u>5,748,253</u>	<u>5,688,148</u>	<u>5,427,209</u>	<u>5,233,357</u>	<u>5,937,705</u>	<u>4,692,927</u>	<u>4,868,837</u>
Business-type activities										
Interest earnings	223,026	337,350	768,681	186,808	182,842	76,547	91,661	130,178	48,840	93,904
Miscellaneous revenues	7,674	1,349	(145,218)	(118,740)	420,999	409,220	548,179	23,927	11,652	11,353
Transfers	(150,000)	(180,000)	(185,000)	(185,000)	(151,500)	-	-	-	-	868,392
Franchise Taxes	-	-	-	-	-	-	-	-	813,761	-
Total business-type activities	<u>80,700</u>	<u>158,699</u>	<u>438,463</u>	<u>(116,932)</u>	<u>452,341</u>	<u>485,767</u>	<u>639,840</u>	<u>154,105</u>	<u>874,253</u>	<u>973,649</u>
Total primary government	<u>\$ 5,554,887</u>	<u>\$ 5,669,153</u>	<u>\$ 6,350,718</u>	<u>\$ 5,631,321</u>	<u>\$ 6,140,489</u>	<u>\$ 5,912,976</u>	<u>\$ 5,873,197</u>	<u>\$ 6,091,810</u>	<u>\$ 5,567,180</u>	<u>\$ 5,842,486</u>
Change in Net Position										
Governmental activities	\$ 614,630	\$ 131,124	\$ 117,175	\$ 284,124	\$ 21,016	\$ 410,432	\$ 772,943	\$ 1,182,328	\$ 499,154	\$ 913,718
Business-type activities	5,280,944	1,160,909	744,500	814,405	825,663	363,919	(242,801)	1,170,942	526,418	1,461,829
Total primary government	<u>\$ 5,895,574</u>	<u>\$ 1,292,033</u>	<u>\$ 861,675</u>	<u>\$ 1,098,529</u>	<u>\$ 846,679</u>	<u>\$ 774,351</u>	<u>\$ 530,142</u>	<u>\$ 2,353,270</u>	<u>\$ 1,025,572</u>	<u>\$ 2,375,547</u>

* Formerly included in General Government Program Revenues as Occupational Licenses

** Recorded in Business-type activities in fiscal year 2014.

City of Callaway, Florida
PROGRAM REVENUES BY FUNCTION/PROGRAM (UNAUDITED)
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Function/Program										
Governmental activities										
General government	\$ 127,626	\$ 144,299	\$ 140,517	\$ 136,832	\$ 109,118	\$ 143,777	\$ 182,801	\$ 179,349	\$ 163,791	\$ 214,496
Public safety	74,132	74,132	77,839	93,416	90,108	94,613	99,344	104,311	109,527	115,003
Highways and streets	-	-	-	12,813	8,799	-	-	5,866	32,263	2,933
Parks and recreation	2,510	29,887	40,519	34,203	40,567	41,157	36,676	43,511	58,652	63,311
Grants and contributions	-	-	-	317,500	-	337,950	670,008	57,838	296,103	498,932
Subtotal governmental activities	<u>204,268</u>	<u>248,318</u>	<u>258,875</u>	<u>594,764</u>	<u>248,592</u>	<u>617,497</u>	<u>988,829</u>	<u>390,875</u>	<u>660,336</u>	<u>894,675</u>
Business-type activities										
Water	4,224,080	2,094,382	2,198,987	2,210,074	2,190,347	2,316,974	2,250,585	2,278,329	2,374,145	2,588,891
Sewer	5,515,209	3,725,879	4,068,038	4,221,710	3,671,947	3,749,923	3,795,533	4,650,125	4,297,429	4,644,391
Solid waste	413,017	424,797	535,519	553,196	558,376	554,724	555,626	559,394	573,013	577,125
Grants and contributions	-	3,694	-	-	154,176	151,146	314,961	1,426,988	121,718	95,209
Subtotal business-type activities	<u>10,152,306</u>	<u>6,248,752</u>	<u>6,802,544</u>	<u>6,984,980</u>	<u>6,574,846</u>	<u>6,772,767</u>	<u>6,916,705</u>	<u>8,914,836</u>	<u>7,366,305</u>	<u>7,905,616</u>
Total primary government	<u>\$ 10,356,574</u>	<u>\$ 6,497,070</u>	<u>\$ 7,061,419</u>	<u>\$ 7,579,744</u>	<u>\$ 6,823,438</u>	<u>\$ 7,390,264</u>	<u>\$ 7,905,534</u>	<u>\$ 9,305,711</u>	<u>\$ 8,026,641</u>	<u>\$ 8,800,291</u>

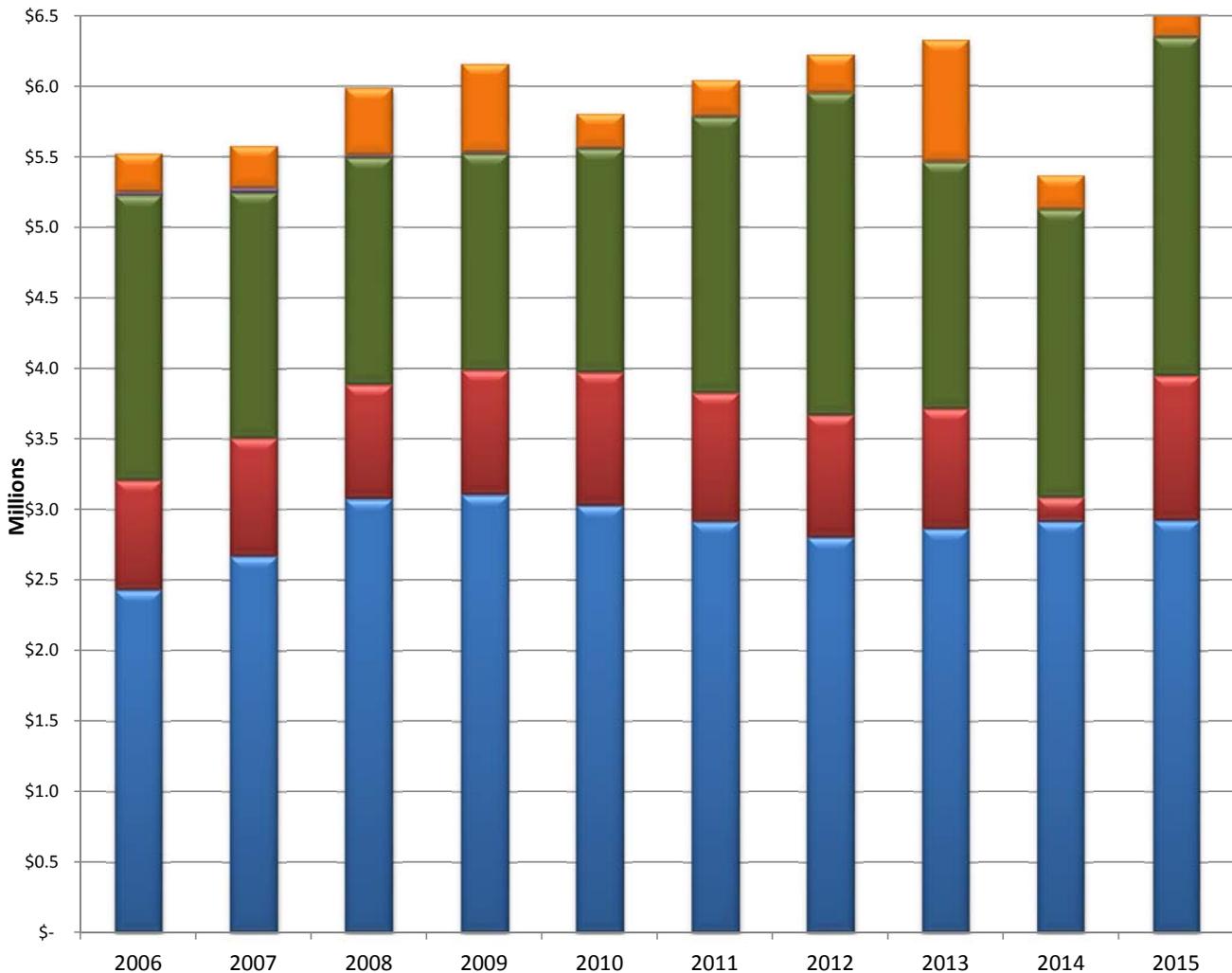
City of Callaway, Florida
FUND BALANCES - GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Nonspendable	\$ 152,009	\$ 108,168	\$ 113,919	\$ 174,380	\$ 187,221	\$ 135,645	\$ 139,541	\$ 171,564	\$ 63,869	\$ 145,453
Restricted	-	-	-	98,312	126,232	147,288	159,130	177,027	238,636	231,680
Committed	51,583	42,049	64,605	34,227	7,116	19,251	90,425	169,601	247,405	334,038
Assigned	-	-	-	-	-	-	645,528	-	488,289	894,219
Unassigned	2,612,648	2,736,130	2,024,393	1,770,936	1,867,926	2,308,076	2,061,864	2,480,090	2,542,487	2,229,489
Total General Fund	<u>2,816,240</u>	<u>2,886,347</u>	<u>2,202,917</u>	<u>2,077,855</u>	<u>2,188,495</u>	<u>2,610,260</u>	<u>3,096,488</u>	<u>2,998,282</u>	<u>3,580,686</u>	<u>3,834,879</u>
Community Redevelopment Fund										
Restricted	-	-	210,108	259,529	245,015	292,706	91,700	106,552	116,883	104,952
Other Governmental Funds										
Assigned, reported in										
Debt Service	-	-	-	-	-	-	-	-	-	-
Capital Projects	-	-	1,153,036	-	-	-	-	-	-	-
Unassigned, reported in										
Capital Projects	-	-	-	-	-	-	-	(4,846)	-	-
Total Other Governmental Funds	<u>-</u>	<u>-</u>	<u>1,153,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,846)</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENTAL FUNDS	<u>\$ 2,816,240</u>	<u>\$ 2,886,347</u>	<u>\$ 3,566,061</u>	<u>\$ 2,337,384</u>	<u>\$ 2,433,510</u>	<u>\$ 2,902,966</u>	<u>\$ 3,188,188</u>	<u>\$ 3,099,988</u>	<u>\$ 3,697,569</u>	<u>\$ 3,939,831</u>

Beginning with Fiscal Year 2011, the City began classifying fund balance by the new categories established by GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The requirements of this Statement became effective for financial statement periods beginning after June 15, 2010. For consistency purposes, prior period balances have been restated, using the same categories.

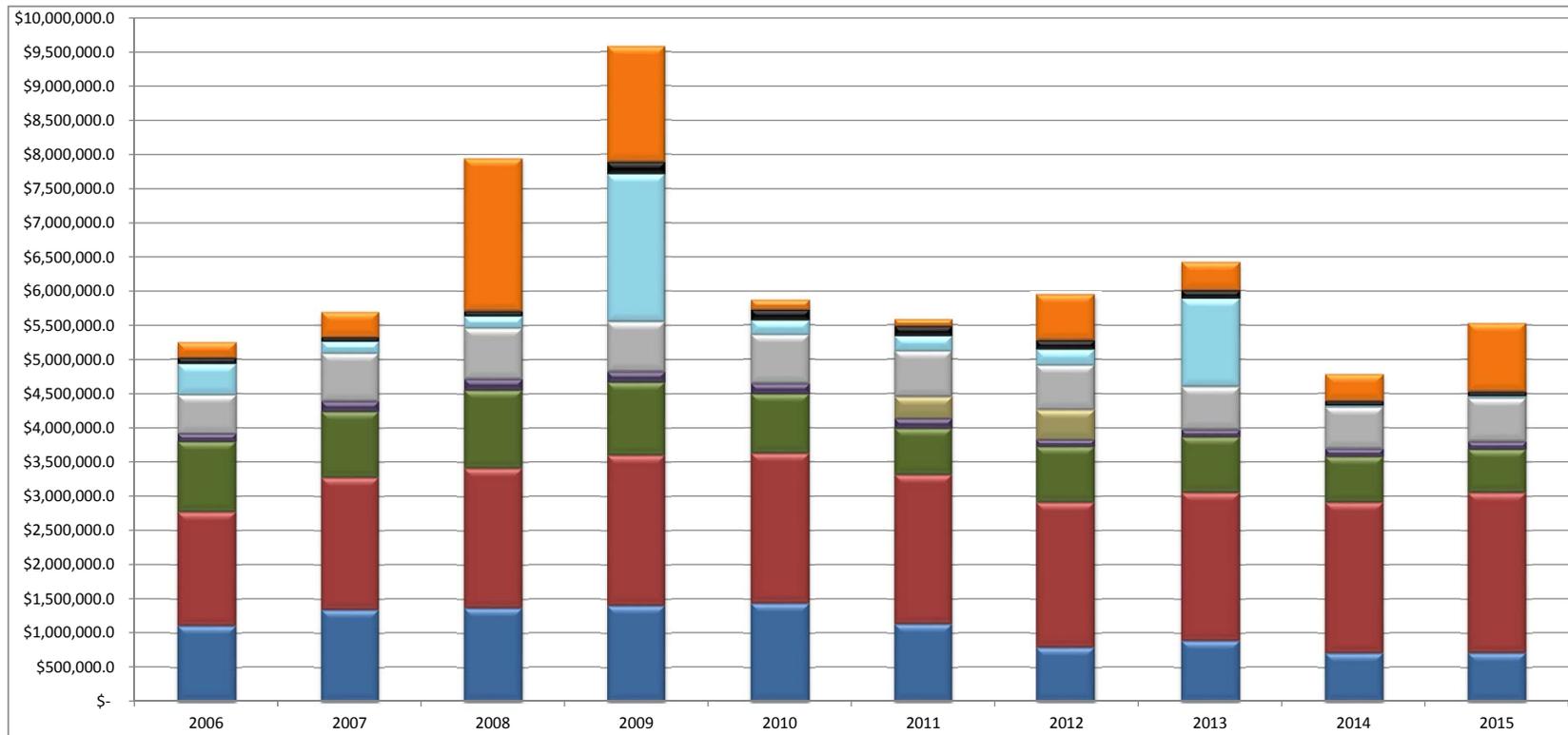
**City of Callaway, Florida
FUND REVENUES BY SOURCE - GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years**

FYE Sept. 30	Taxes	Licenses, Fees and Permits	Inter- Governmental	Fines and Forfeitures	Debt Service	Charges for Services and Misc.	Total
2006	2,429,402	778,766	2,021,088	20,336	-	274,397	5,523,989
2007	2,668,730	838,938	1,739,762	31,685	-	300,255	5,579,370
2008	3,076,094	807,794	1,612,596	14,984	-	476,493	5,987,961
2009	3,105,553	882,104	1,536,182	8,686	-	628,775	6,161,300
2010	3,029,334	942,608	1,585,064	5,834	-	242,397	5,805,237
2011	2,915,841	910,784	1,957,218	5,723	-	255,142	6,044,708
2012	2,803,195	867,583	2,283,722	1,842	-	270,234	6,226,576
2013	2,863,785	848,470	1,749,675	3,672	-	862,978	6,328,580
2014	2,917,353	168,781	2,042,379	2,685	-	238,356	5,369,554
2015	2,922,752	1,026,247	2,400,679	4,182	-	278,056	6,631,916



City of Callaway, Florida
FUND EXPENDITURES BY FUNCTION - GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years

FYE Sept. 30	General Government	Public Safety	Highways and Streets	Maintenance	Economic Environment	Parks and Recreation	Debt Service Principal	Debt Service Interest	Capital Outlay	Total
2006	1,101,179	1,664,077	1,025,918	122,382	-	564,038	448,158	91,070	226,117	5,242,939
2007	1,335,586	1,935,721	963,718	150,365	-	702,957	170,300	61,679	369,097	5,689,423
2008	1,363,967	2,042,168	1,147,111	162,487	-	742,760	174,745	73,645	2,232,005	7,938,888
2009	1,399,817	2,199,048	1,069,251	155,518	-	726,742	2,157,044	178,481	1,689,076	9,574,977
2010	1,430,377	2,190,601	869,574	150,061	-	712,638	208,778	154,141	144,441	5,860,611
2011	1,131,304	2,174,026	680,575	142,768	316,056	668,665	219,565	143,435	98,859	5,575,253
2012	788,349	2,116,358	816,712	104,011	433,436	652,697	230,449	132,589	666,753	5,941,354
2013	886,316	2,162,630	815,883	104,616	-	626,215	1,289,757	120,443	410,920	6,416,780
2014	703,622	2,197,380	669,377	116,700	-	605,121	25,000	66,184	388,589	4,771,973
2015	710,286	2,339,883	632,812	112,492	-	637,199	26,000	63,757	998,821	5,521,250



City of Callaway, Florida
OTHER FINANCING SOURCES (USES)
AND NET CHANGE IN FUND BALANCES -
GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years

FINANCIAL TRENDS - Table 7

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues over (under) expenditures	\$ 288,127	\$ (109,893)	\$ (2,026,115)	\$ (3,481,787)	\$ (55,374)	\$ 469,455	\$ 285,222	\$ (88,200)	\$ 597,581	\$ 1,110,654
Other financing sources (uses)										
Transfers in	\$ 707,572	\$ 541,757	\$ 3,482,548	\$ 2,970,426	\$ 514,419	\$ 363,000	\$ 375,516	\$ 1,495,964	\$ 108,604	\$ 112,794
Transfer out to Capital Projects Fund	(18,344)	(129,778)	(2,972,829)	(381,791)	-	-	-	-	(17,420)	(23,038)
Transfer out to Debt Service Fund	(539,228)	(231,979)	(248,390)	(2,335,525)	(362,919)	(363,000)	(375,516)	(1,495,964)	(91,184)	(89,757)
Transfer out to Enterprise Funds	-	-	-	-	-	-	-	-	-	(868,391)
Proceeds from long-term financing	-	-	2,444,500	2,000,000	-	-	-	-	-	-
Total other financing sources (uses)	<u>150,000</u>	<u>180,000</u>	<u>2,705,829</u>	<u>2,253,110</u>	<u>151,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(868,392)</u>
Net change in fund balances	<u>\$ 438,127</u>	<u>\$ 70,107</u>	<u>\$ 679,714</u>	<u>\$ (1,228,677)</u>	<u>\$ 96,126</u>	<u>\$ 469,455</u>	<u>\$ 285,222</u>	<u>\$ (88,200)</u>	<u>\$ 597,581</u>	<u>\$ 242,262</u>
Debt service amounts included in expenditures										
Principal	\$ 448,158	\$ 170,300	\$ 174,745	\$ 2,157,044	\$ 208,778	\$ 219,565	\$ 230,449	\$ 1,289,757	\$ 25,000	\$ 26,000
Interest	91,070	61,679	73,645	178,481	154,141	143,435	132,589	120,443	66,184	63,757
	<u>\$ 539,228</u>	<u>\$ 231,979</u>	<u>\$ 248,390</u>	<u>\$ 2,335,525</u>	<u>\$ 362,919</u>	<u>\$ 363,000</u>	<u>\$ 363,038</u>	<u>\$ 1,410,200</u>	<u>\$ 91,184</u>	<u>\$ 89,757</u>
	(see note)			(see note)				(see note)		
Debt Service as a % of noncapital expendi	10.7%	4.4%	4.6%	29.6%	6.8%	7.1%	6.9%	23.5%	2.0%	2.0%

Note: In fiscal year 2006, the City made an early payoff of a note payable which had a balance of \$268,810 at the beginning of the fiscal year.
In fiscal year 2009, the City refinanced a \$2,000,000 bond anticipation note with a long-term bond payable to USDA.
In fiscal year 2013, the City made an early payoff of 2 notes payable and a \$427,695 early principal reduction in another.

City of Callaway, Florida
TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS (UNAUDITED)
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Utility Tax	\$ 1,396,072	\$ 1,409,598	\$ 1,464,255	\$ 1,482,732	\$ 1,566,607	\$ 1,537,085	\$ 1,482,510	\$ 1,526,782	\$ 1,622,733	\$ 1,321,295
Ad valorem Tax	782,053	1,011,027	1,347,625	1,348,637	1,185,386	1,226,369	1,133,056	1,091,376	1,052,286	1,035,298
Franchise Tax*	675,419	715,528	728,667	813,069	867,255	829,005	730,848	706,002	-	868,381
Business License Tax**	-	-	21,775	21,580	19,561	17,415	22,653	20,864	18,250	15,718
Local Option Gas Tax	251,277	248,106	242,438	252,604	257,779	210,226	205,119	257,743	238,607	220,970
1/2 cent Sales Tax	1,287,103	1,153,900	1,073,559	1,000,953	963,896	1,028,149	1,049,275	1,111,477	1,162,322	1,253,645
Intergovernmental	733,985	585,862	538,737	533,331	619,134	535,787	541,797	562,553	584,089	632,427
Total Tax Revenues	<u>\$ 5,125,909</u>	<u>\$ 5,124,021</u>	<u>\$ 5,417,056</u>	<u>\$ 5,452,906</u>	<u>\$ 5,479,618</u>	<u>\$ 5,384,036</u>	<u>\$ 5,165,258</u>	<u>\$ 5,276,797</u>	<u>\$ 4,678,287</u>	<u>\$ 5,347,734</u>

Note: For consistency and comparison purposes, prior year revenues have been reclassified to the program activity classifications used in presenting the current year's revenues.

*Recorded as Enterprise Fund revenue in fiscal year 2014.

**Prior to fiscal year 2008, these were classified as Occupational Licenses.

REVENUE CAPACITY - Table 9

City of Callaway, Florida
ASSESSED VALUE AND TAXABLE VALUE OF PROPERTY (UNAUDITED)
(IN THOUSANDS OF DOLLARS)
Last Ten Fiscal Years

Fiscal Year Ended September 30	Assessed Value			Less Tax-Exempt Property	Net Taxable Value	Total Direct Tax Rate	Taxable Assessed Value as % of Tax Rate
	Real Property	Personal Property	Total Property				
2006	575,551	19,181	594,732	(183,873)	410,859	2.00	69.08%
2007	762,706	19,051	781,757	(256,217)	525,540	2.00	67.23%
2008	907,839	19,102	926,941	(312,888)	614,053	2.00	66.25%
2009	900,806	22,158	922,964	(357,965)	564,999	2.25	61.22%
2010	852,463	23,224	875,687	(332,324)	543,363	2.25	62.05%
2011	708,617	22,178	730,795	(202,886)	527,909	2.25	72.24%
2012	680,357	20,765	701,122	(199,391)	501,731	2.25	71.56%
2013	664,687	19,248	683,935	(199,458)	484,477	2.25	70.84%
2014	652,278	20,909	673,187	(198,500)	474,687	2.25	70.51%
2015	643,625	20,464	664,089	(194,893)	469,196	2.25	70.65%

Source: Bay County Property Appraiser

REVENUE CAPACITY - Table 10

City of Callaway, Florida
DIRECT AND OVERLAPPING PROPERTY TAX RATES (UNAUDITED)
(RATE PER \$1,000 OF ASSESSED VALUE)
Last Ten Tax Years

<u>Taxing Authority</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City of Callaway - Basic Rate	\$ 2.0000	\$ 2.0000	\$ 2.0000	\$ 2.2500	\$ 2.2500	\$ 2.2500	\$ 2.2500	\$ 2.2500	\$ 2.2500	\$ 2.2500
City of Callaway - Total Rate	\$ 2.0000	\$ 2.0000	\$ 2.0000	\$ 2.2500						
Bay County Overlapping Rates										
General	\$ 4.1620	\$ 3.7915	\$ 3.6500	\$ 3.6500	\$ 3.6500	\$ 3.6500	\$ 3.6500	\$ 3.6500	\$ 4.6500	\$ 4.6500
Mosquito Control	0.1852	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.1525	0.2000	0.2000
Total Overlapping Rate for Bay County	\$ 4.3472	\$ 3.9440	\$ 3.8025	\$ 4.8500	\$ 4.8500					
Bay County School Districts	\$ 6.8080	\$ 6.4710	\$ 6.7630	\$ 7.6230	\$ 7.4030	\$ 7.1180	\$ 6.8580	\$ 6.7610	\$ 6.8890	\$ 6.8890
NWFL Water Mgmt. District	\$ 0.0500	\$ 0.0450	\$ 0.0450	\$ 0.0450	\$ 0.0045	\$ 0.0040	\$ 0.0040	\$ 0.0040	\$ 0.0390	\$ 0.0390

Source: Bay County Tax Collector

REVENUE CAPACITY - Table 11

City of Callaway, Florida
TOP TEN PROPERTY TAXPAYERS (UNAUDITED)
(IN THOUSANDS OF DOLLARS)
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2015</u>			<u>2006</u>		
	<u>Taxable Value</u>	<u>Rank</u>	<u>% of Total Taxable Value</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>% of Total Taxable Value</u>
East Bay Bayou, LLC				\$ 14,836	1	2.82%
Wal-Mart Stores East, LP	\$ 9,078	1	1.93%	11,076	2	2.11%
HCI Bridge Harbor, LLC	7,230	2	1.54%			
Bay Front Dev. Co., Inc.	6,088	3	1.30%	2,521	9	0.48%
Shree Ramkabir, Inc.	4,338	4	0.92%			
Avenue 12 Holdings, LP	4,210	5	0.90%			
US Metropolitan Land Development, LLC	3,590	6	0.77%			
Pine Terrace Investors, LLC	3,385	7	0.72%	2978	7	0.57%
Value Place PC FL E-Callaway	3,238	8	0.69%			
SHRI Ganesh Enterprises, Inc.	3,213	9	0.68%			
P & N Callaway, LLC	2,689	10	0.57%			
PCB East Bay				10,084	3	1.92%
Laird Point, LLC				6,383	4	1.21%
Feltman, James W				4,901	5	0.93%
Callaway Plaza LLC				4,388	6	0.83%
Formation Portfolio I, LLC				2,914	8	0.55%
Total of Top Ten Taxpayers	<u>\$ 47,059</u>		<u>10.03%</u>	<u>\$ 60,081</u>		<u>11.43%</u>
Total Taxable Value	<u>\$ 469,196</u>			<u>\$ 525,540</u>		

Source: Bay County Property Appraiser

REVENUE CAPACITY - Table 12

**City of Callaway, Florida
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
Last Ten Fiscal Years***

City's Fiscal Year	Tax Year	Taxes Levied for the Fiscal Year* (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy**		Total Collections to Date		
					Amount	% of Original Levy	Collections in Subsequent Years	Amount	% of Original Levy
2006	2005	821,549	594	822,143	784,597	96%	982	785,579	96%
2007	2006	1,050,846	43	1,050,889	1,011,029	96%	538	1,011,567	96%
2008	2007	1,228,406	3,663	1,232,069	1,187,963	97%	1,664	1,189,627	97%
2009	2008	1,271,539	3,320	1,274,859	1,211,330	95%	22,335	1,233,665	97%
2010	2009	1,222,965	4,554	1,227,519	1,183,266	97%	1,812	1,185,078	97%
2011	2010	1,192,833	3,616	1,196,449	1,151,621	97%	1,894	1,153,515	97%
2012	2011	1,129,691	2,094	1,131,785	1,088,270	96%	2,278	1,090,548	96%
2013	2012	1,099,906	(9,907)	1,089,999	1,053,971	96%	2,422	1,056,393	96%
2014	2013	1,067,986	1,789	1,069,775	1,033,239	97%	4,747	1,037,986	97%
2015	2014	1,055,559	-	1,055,559	1,015,600	96%	2,534	1,018,134	97%

Source: Bay County Tax Collector's Office

* The City levied its first property tax beginning with the fiscal year ending September 30, 2005 with millage rate of 2.0000 mills. Property taxes become due and payable on November 1 of each year. A four percent discount is allowed if the taxes are paid in November with the discount declining each month thereafter. Accordingly, all taxes collected will not be 100% of the amount levied.

** Taxes become delinquent April 1 each year and tax certificates for the full amount of any unpaid taxes must be sold no later than June 1 of each year. Proceeds of tax certificates are included in this column.

REVENUE CAPACITY - Table 13

City of Callaway, Florida
REVENUE CAPACITY INFORMATION FOR WATER FUND (UNAUDITED)
Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating Revenue*										
Water charges	\$ 1,752,381	\$ 1,864,661	\$ 2,016,657	\$ 2,084,558	\$ 2,092,002	\$ 2,204,724	\$ 2,150,041	\$ 2,193,026	\$ 2,286,867	\$ 2,428,557
Connection, reset and reactivation fees	16,770	16,945	18,816	20,590	19,970	30,242	28,851	23,906	34,210	17,590
Late fees	40,007	43,266	46,402	49,658	51,519	48,250	47,774	45,814	45,438	102,154
Tap fees	6,506	7,916	3,950	2,760	2,528	1,850	680	700	560	2,235
Other utility income	32,449	49,901	22,092	14,679	11,312	22,908	18,614	4,831	3,611	40,137
Miscellaneous income	750	-	765	7,949	9,509	8,999	4,624	10,052	3,458	(1,782)
Total Operating Revenue	<u>\$ 1,848,863</u>	<u>\$ 1,982,689</u>	<u>\$ 2,108,682</u>	<u>\$ 2,180,194</u>	<u>\$ 2,186,840</u>	<u>\$ 2,316,973</u>	<u>\$ 2,250,584</u>	<u>\$ 2,278,329</u>	<u>\$ 2,374,144</u>	<u>\$ 2,588,891</u>
Average # of Meters per Month	<u>7,461</u>	<u>7,584</u>	<u>7,627</u>	<u>7,773</u>	<u>7,796</u>	<u>7,822</u>	<u>7,930</u>	<u>8,077</u>	<u>9,276</u>	<u>9,830</u>
Total Annual # of Gallons Billed (in thousands)	<u>512,897</u>	<u>503,159</u>	<u>464,036</u>	<u>455,789</u>	<u>429,046</u>	<u>445,939</u>	<u>409,319</u>	<u>391,721</u>	<u>438,174</u>	<u>448,897</u>
Average # of Gallons per Month per Account	<u>5,729</u>	<u>5,529</u>	<u>5,070</u>	<u>4,886</u>	<u>4,586</u>	<u>4,751</u>	<u>4,301</u>	<u>4,042</u>	<u>3,936</u>	<u>3,806</u>
Service Billing Rates**										
Base Rate Charge Inside City Limits	\$ 7.57	\$ 8.12	\$ 9.34	\$ 10.05	\$ 10.30	\$ 10.56	\$ 10.82	\$ 11.09	\$ 11.37	\$ 11.37
Usage Fee per 1,000 Gallons Inside City Lim	2.54	2.72	3.13	3.37	3.45	3.54	3.63	3.72	3.81	3.87
Base Rate Charge Outside City Limits	9.46	10.15	11.68	12.56	12.87	13.19	13.52	13.86	14.21	14.21
Usage Fee per 1,000 Gallons Outside City Li	3.18	3.40	3.91	4.21	4.32	4.43	4.54	4.65	4.76	4.84

** Rates in effect as of September 30 of each year. Charges are prorated during the initial and final month of service.

REVENUE CAPACITY - Table 14

City of Callaway, Florida
REVENUE CAPACITY INFORMATION FOR SEWER FUND (UNAUDITED)
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenue										
Sewer charges	\$ 3,049,712	\$ 3,066,181	\$ 3,456,333	\$ 3,499,247	\$ 3,555,293	\$ 3,631,067	\$ 3,690,034	\$ 3,856,602	\$ 4,039,891	\$ 4,070,146
Connection, reset and reactivation fees	-	210	17,545	17,984	18,207	19,229	20,303	20,097	19,029	20,392
Late fees	70,801	74,572	82,586	86,666	89,461	85,624	80,888	78,518	81,024	88,305
Tap fees	11,693	2,937	4,902	2,950	2,243	2,450	400	1,240	200	2,393
Miscellaneous income	5,999	502	254	1,373	3,374	11,553	3,908	5,499	2,965	401
Total Operating Revenue	<u>\$ 3,138,205</u>	<u>\$ 3,144,402</u>	<u>\$ 3,561,620</u>	<u>\$ 3,608,220</u>	<u>\$ 3,668,578</u>	<u>\$ 3,749,923</u>	<u>\$ 3,795,533</u>	<u>\$ 3,961,956</u>	<u>\$ 4,143,109</u>	<u>\$ 4,181,637</u>
Average # of Meters per Month	<u>6,083</u>	<u>6,173</u>	<u>6,193</u>	<u>6,292</u>	<u>6,333</u>	<u>6,359</u>	<u>6,451</u>	<u>6,546</u>	<u>7,517</u>	<u>7,917</u>
Total Annual # of Gallons Billed (in thousands)	<u>411,957</u>	<u>399,695</u>	<u>381,922</u>	<u>378,549</u>	<u>359,955</u>	<u>356,329</u>	<u>345,258</u>	<u>354,608</u>	<u>376,741</u>	<u>388,088</u>
Average # of Gallons per Month per Account	<u>5,644</u>	<u>5,396</u>	<u>5,139</u>	<u>5,014</u>	<u>4,736</u>	<u>4,670</u>	<u>4,460</u>	<u>4,514</u>	<u>4,177</u>	<u>4,085</u>
Service Billing Rates*										
Base Rate Charge Inside City Limits	\$ 24.51	\$ 24.51	\$ 28.19	\$ 28.89	\$ 29.61	\$ 30.35	\$ 31.11	\$ 31.89	\$ 32.69	\$ 32.69
Usage Fee per 1,000 Gallons Inside City Limits	2.97	2.97	3.42	3.51	3.60	3.69	3.78	3.87	3.97	3.97
Base Rate Charge Outside City Limits	30.64	30.64	35.24	36.11	37.02	37.95	38.89	39.86	40.86	40.86
Usage Fee per 1,000 Gallons Outside City Limits	3.71	3.71	4.28	4.39	4.50	4.61	4.73	4.84	4.96	4.96

* Rates in effect as of September 30 of each year. Charges are prorated during the initial and final month of service.

DEBT CAPACITY - Table 15

City of Callaway, Florida
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	% of Personal Income*	Per Capita*
	Revenue Bonds	Capital Leases	Note Payable	Revenue Bonds	Capital Leases	Note Payable			
2006	\$ 1,427,060	\$ 61,135	\$ -	\$ 7,185,000	\$ 127,936	\$ 9,312,560	\$18,113,691	0.35%	1,251
2007	1,299,476	18,419	-	27,498,368	98,331	8,681,618	37,596,212	0.68%	2,641
2008	1,143,150	-	2,444,500	27,238,437	67,193	8,032,756	38,926,036	0.69%	2,779
2009	3,023,769	-	406,837	29,357,324	34,444	7,365,463	40,187,837	0.69%	2,876
2010	2,854,655	-	367,807	28,992,560	-	6,679,214	38,894,236	0.65%	2,784
2011	2,675,537	-	327,361	28,510,458	-	5,973,467	37,486,823	0.61%	2,602
2012	2,487,003	-	285,446	27,889,027	-	5,247,666	35,909,142	0.57%	2,478
2013	1,482,692	-	-	27,680,006	-	4,501,237	33,663,935	0.51%	2,325
2014	1,457,692	-	-	21,757,224	-	8,859,095	32,074,011	0.49%	2,200
2015	1,431,692	-	-	21,168,722	-	7,714,630	30,315,044	0.46%	2,065

N/A = Not yet available.

* See Table 18 for personal income and population data. These ratios are calculated using personal income and population data for the prior calendar year, furnished by the U.S. Census Bureau and the Bureau of Economic Analysis. Additional demographic information can be found later in this section.

City of Callaway, Florida
RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Population Estimate*</u>	<u>Per Capita</u>
2006	\$ 1,427,060	14,485	\$ 98.52
2007	1,299,476	14,236	91.28
2008	1,143,150	14,008	81.61
2009	3,023,769	13,974	216.39
2010	2,854,655	13,972	204.31
2011	2,675,537	14,405	185.74
2012	2,487,003	14,493	171.60
2013	1,482,692	14,484	102.37
2014	1,457,692	14,332	101.71
2015	1,431,692	14,681	97.52

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*Source: Bureau of Economic and Business Research, University of Florida, Florida Estimates of Population

DEBT CAPACITY - Table 17

**City of Callaway, Florida
PLEDGED REVENUE COVERAGE -
WATER AND SEWER REVENUE BONDS (UNAUDITED)
Last Ten Fiscal Years**

Fiscal Year	Operating Revenue (1)	Less Operating Expenses (2)	Special Cap. Extension Fees (3)	Available Pledged Revenue (Net)	Revenue Bond Debt Service			Coverage
					Principal	Interest (4)	Total Bond Debt. Service	
2006	6,789,026	4,096,716	N/A	2,692,310	-	-	-	N/A
2007	5,127,091	4,287,574	N/A	839,517	-	-	-	N/A
2008	N/A	N/A	-	-	-	1,049,658	1,049,658	0%
2009	N/A	N/A	-	-	-	1,032,450	1,032,450	0%
2010	N/A	N/A	6,875	6,875	349,833	1,438,268	1,788,101	0%
2011	N/A	N/A	56,108	56,108	466,694	1,421,306	1,888,000	3%
2012	N/A	N/A	32,313	32,313	319,000	1,112,092	1,431,092	2%
2013	N/A	N/A	753,998	753,998	471,000	1,115,199	1,586,199	48%
2014	N/A	N/A	45,551	45,551	493,000	1,094,754	1,587,754	3%
2015	N/A	N/A	-	-	515,000	1,071,090	1,586,090	0%

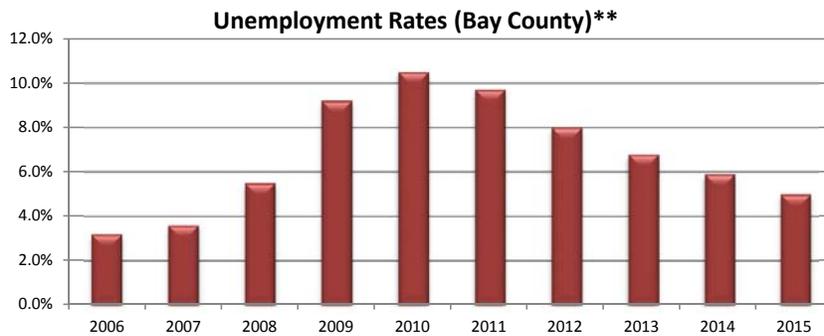
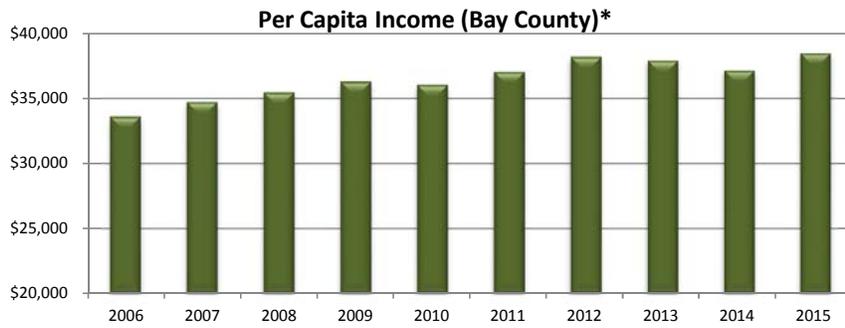
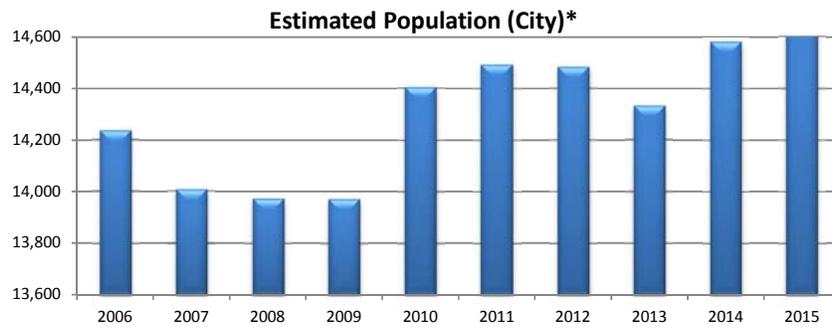
Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) Operating Revenue for 2007 & prior does not include Impact Fee revenue which is not available for debt service.
- (2) Operating Expenses for 2007 & prior include all water and sewer fund operating expenses except depreciation.
- (3) Extension Fees were collected in fiscal year 2008, 2009 and 2015. The City has covenanted to budget and appropriate non-ad valorem revenues in amounts sufficient to cure any such shortfall.
- (4) Interest amount is shown prior to adjustment for capitalized interest and premium amortization.

DEMOGRAPHIC AND ECONOMIC INFORMATION - Table 18

**City of Callaway, Florida
DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
Last Ten Fiscal Years**

Fiscal Year	Estimated Population (City)*	Estimated Population (County)*	Personal Income (County) (in thousands)**	Per Capita Income (Bay County)**	Unemployment Rates (Bay County)***
2006	14,236	165,515	5,505,901	33,613	3.2%
2007	14,008	167,631	5,670,237	34,723	3.6%
2008	13,974	169,307	5,808,336	35,459	5.5%
2009	13,972	169,562	5,983,630	36,316	9.2%
2010	14,405	168,852	6,103,056	36,050	10.5%
2011	14,493	169,856	6,296,304	37,068	9.7%
2012	14,484	171,903	6,568,180	38,209	8.0%
2013	14,332	169,866	6,634,581	37,915	6.8%
2014	14,581	170,781	6,500,847	37,155	5.9%
2015	14,681	173,310	6,888,558	38,487	5.0%



* Source: Florida Legislature Office of Economic and Demographic Research

** Source: Bureau of Economic and Business Research, University of Florida, Florida Estimates of Population. Prior year income data shown is the most current available.

*** Source: Bureau of Labor Statistics

DEMOGRAPHIC AND ECONOMIC INFORMATION – Table 19

**City of Callaway, Florida
MISCELLANOUS STATISTCAL DATA (UNAUDITED)**

Date of Incorporation:	Date Original Charter Adopted:	Date Present Chartered Adopted:
November 18, 1963	July 1, 1964	April 26, 1996
Form of Government	Commissioner/City Manager with mayor elected every four years and commissioners elected for four year overlapping terms. At the first regular meeting following an election, the City Commission appoints one of its members as Mayor Pro Tem. The City Commission at its pleasure appoints a City Manager and a City Clerk.	
Location and Area	<p>The City of Callaway is an urban community in Bay County east of Panama City, in the Panhandle Region of Northwest Florida. Being situated in the northern shores of East Bay, this community is separated from the Gulf of Mexico by East Bay and a peninsula occupied by Tyndall Air Force Base. Two other communities to the west of Callaway, Springfield and Parker, separate it from Panama City.</p> <p>Comprised of an area of approximately twelve square miles, the City of Callaway is served by two major roadways: U.S. 98 on its western boundary and S.R. 22 located in the northern portion of the City.</p>	
Police Protection	The City is served by the Bay County Sheriff's Office by contractual agreement. A substation is located within the City for the benefit of its citizens.	
Fire Protection	The City provides its own fire protection with a paid staff of full-time firefighters, many of which are also certified as Emergency Medical Technicians. The City's Fire Department has also contracted to provide fire protection to some of the unincorporated areas of Bay County.	
Total Households	6,600 (Source: U.S. Census Bureau, 2010-2014 five year American Community Survey)	
Elections	Registered Voters – 8,156 (Source: Bay County Supervisor of Elections Office)	
Population	<p>Total Population - 14,405 (U.S. Census Bureau, 2010 Census)</p> <p>Estimated population as of 4/1/15 – 14,681 (The Florida Legislature Office of Economic & Demographic Research)</p>	

DEMOGRAPHIC AND ECONOMIC INFORMATION – Table 19

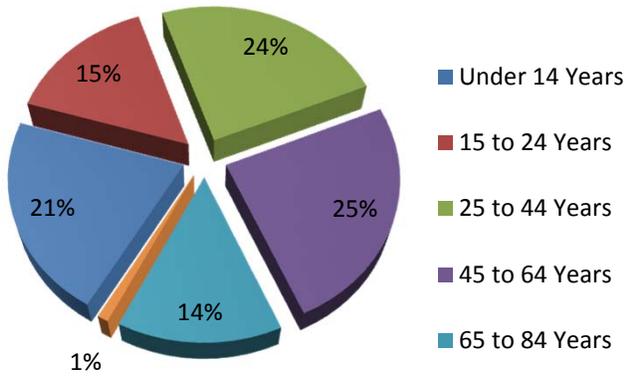
**City of Callaway, Florida
MISCELLANOUS STATISTCAL DATA (UNAUDITED)**

Building Permits	Building permits for the City are issued by an Independent Contractor.
Water System	Water is purchased from Bay County Water System. The City maintains the distribution system.
Sewer System	Wastewater is treated by the Military Point Advanced Wastewater Treatment Facility – a joint venture owned and governed by Bay County, and the cities of Callaway, Parker and Springfield.
Solid Waste Services	The City provides weekly curbside pick-up for non-household trash. There are currently five companies which are permitted by the City to provide citizens with garbage service for their homes and businesses.
Recreational Parks and Facilities	<p>Arts and Conference Center – Consists of a large auditorium/banquet room, a Commission Meeting Room, a general meeting room, and a full service catering kitchen.</p> <p>Callaway Community Center/Gore Park – Consists of 1 baseball field, 2 baseball/softball fields, 2 tennis courts, 1 basketball court, a clubhouse and public restrooms, a boat ramp with a boat dock, and a picnic area. Paved parking is provided.</p> <p>Callaway Recreational Complex – Consists of 2 t-ball fields, 2 baseball fields and 3 baseball/softball fields, a concession stand with a full service kitchen, bleachers, roadways, 2 batting cages, 3 soccer fields, 1 soccer/football field and a stocked fishing pond.</p> <p>Patterson Park - Consists of large waterfront picnic area with a pathway looping through the park.</p> <p>Collinfurst Square Park - Consists of walking track around a pond and three covered picnic tables.</p> <p>Veterans Park – Pet friendly park that offers exercise/playground facilities for different age groups, including a walking track, picnic pavilion and observation pier overlooking a creek.</p> <p>Brittany Woods Park - Consists of approximately 4 acres of land including a walking track.</p>

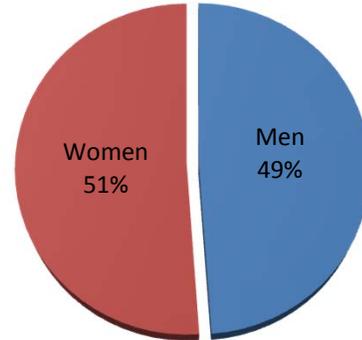
DEMOGRAPHIC AND ECONOMIC INFORMATION – Table 19

City of Callaway, Florida
MISCELLANEOUS STATISTICAL DATA (UNAUDITED)

Total Population by Age

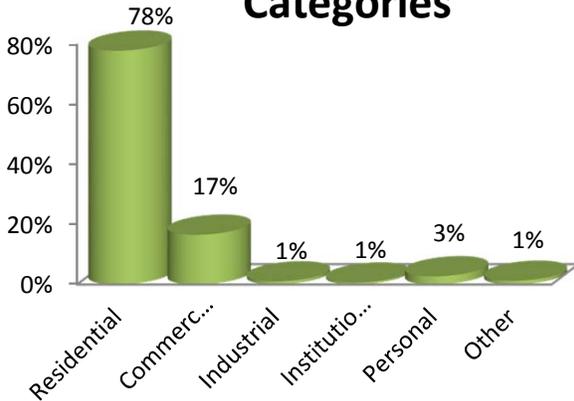


Total Population by Gender



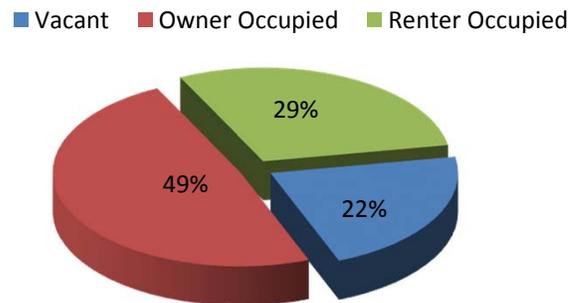
Source: U.S. Census - 2010-2014 American Community Survey 5-Year Estimates

Callaway Real Property Categories



Source: Florida Department of Revenue

Callaway Residential Housing Units



Source: U.S. Census - 2010-2014 American Community Survey 5-Year Estimates

5-

DEMOGRAPHIC AND ECONOMIC INFORMATION - Table 20

**City of Callaway, Florida
PRINCIPAL EMPLOYERS (UNAUDITED)
Current and Nine Years Ago***

<u>Taxpayer</u>	<u>2015</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>
Walmart	396	1	19.45%	400	1	19.76%
Emerald Shores Health Care	80	2	3.93%	95	2	4.69%
Grocery Outlet #7709	80	3	3.93%			
City of Callaway	68	4	3.34%	86	3	4.25%
McDonald's (Tyndall Pkwy)	56	5	2.75%			
Applebee's	52	6	2.55%	56	4	2.77%
Sonny's BBQ	40	7	1.96%			
Sonic	38	8	1.87%	30	9	1.48%
BCL Civil Contractors	37	9	1.82%			
Cellular Sales	34	10	1.67%			
Kmart				49	5	2.42%
Po Folks				40	6	1.98%
Waste Management				40	7	1.98%
Chik Fil A				34	8	1.68%
CVS Pharmacy				23	10	1.14%
Total	<u>881</u>		<u>43.27%</u>	<u>853</u>		<u>42.14%</u>
Total City Employment*	<u>2,036</u>			<u>2,024</u>	*	

Source: As reported to City on Business License Tax Applications

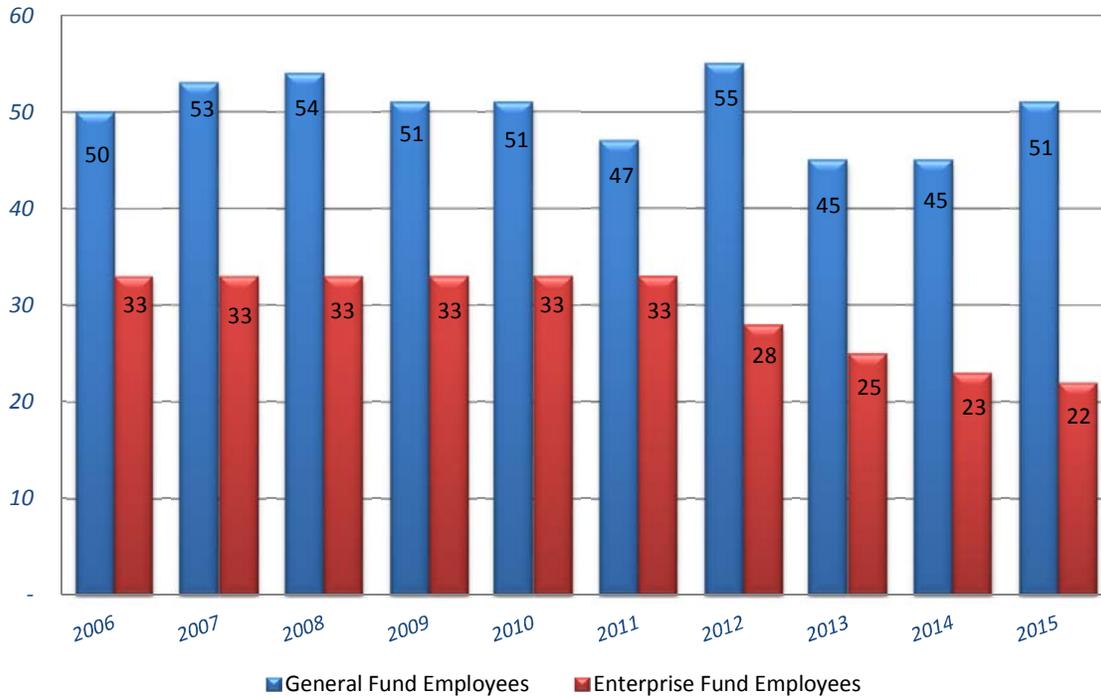
* U.S. Census Bureau for 2007

OPERATING INFORMATION - Table 21

**City of Callaway, Florida
FULL-TIME EMPLOYEES
BY FUNCTION/PROGRAM (UNAUDITED)
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of September 30</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government	12	14	14	14	14	13	16	15	14	18
Fire	13	14	14	15	15	13	15	13	12	13
Streets	13	13	13	9	9	9	13	9	9	8
Maintenance	3	3	3	3	3	3	3	3	3	3
Parks & Recreation	9	9	10	10	10	9	8	5	7	9
Water	13	14	13	13	13	13	12	10	8	8
Sewer	14	13	14	15	15	16	11	10	10	9
Solid Waste	6	6	6	5	5	4	5	5	5	5
Total	83	86	87	84	84	80	83	70	68	73

Source: Filled positions as of September 30 of each year per City's records. (Includes elected officials)



OPERATING INFORMATION - Table 22

**City of Callaway, Florida
OPERATING INDICATORS BY FUNCTION/PROGRAM
(UNAUDITED)
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government										
Building Permits Issued (including New, Remodels and Additions)	114	91	73	42	25	34	26	57	39	31
Business Licenses Issued	389	484	381	292	331	324	395	397	354	340
Police										
Sworn Deputies	15	15	15	16	16	16	16	16	16	16
Calls for Service	12,852	13,084	13,009	13,707	13,457	12,715	12,662	10,737	12,914	13,588
Citations & Infractions	1,207	1,373	680	606	1,600	307	338	291	920	970
Arrests	879	1,116	905	932	687	833	940	785	2,257	848
Fire										
Full-time Certified Firefighters	13	14	14	14	15	14	15	13	15	16
Firefighters also Certified as EMT or Paramedic	4	7	11	12	12	14	14	13	12	14
Emergency Responses	501	522	680	1,182	1,457	1,437	1,700	2,069	2,531	2,564
Streets										
Miles Resurfaced within the city	2.54	2.19	2.20	2.41	0.96	-	-	0.80	-	5.40
Parks & Recreation										
Public Parks	6	6	6	6	6	6	6	6	6	6
Recreational (sports) Facilities	2	2	2	2	2	2	2	2	2	2
Conference/Community Centers	2	2	2	2	2	2	2	2	2	2
Conference Center Admissions	13,211	7,333	10,760	7,786	7,686	8,513	11,278	13,757	13,706	9,257
Water										
Average number of meters per month	7,461	7,584	7,627	7,773	7,796	7,822	7,930	8,077	9,276	9,830
Total annual gallons billed (in thousands)	512,897	503,159	464,036	455,789	429,046	445,939	409,319	391,721	438,174	448,897
Base Rate Charge*	\$ 7.57	\$ 8.12	\$ 9.34	\$ 10.05	\$ 10.30	\$ 10.56	\$ 10.82	\$ 11.09	\$ 11.37	\$ 11.37
Usage fee per 1,000 gallons*	\$ 2.54	\$ 2.72	\$ 3.13	\$ 3.37	\$ 3.45	\$ 3.54	\$ 3.63	\$ 3.72	\$ 3.81	\$ 3.87
Sewer										
Average number of meters per month	6,083	6,173	6,193	6,292	6,333	6,359	6,451	6,546	7,517	7,917
Total annual gallons billed (in thousands)	411,957	399,695	381,922	378,549	359,955	356,329	345,258	354,608	376,741	388,088
Base Rate Charge*	\$ 24.51	\$ 24.51	\$ 28.19	\$ 28.89	\$ 29.61	\$ 30.35	\$ 31.11	\$ 31.89	\$ 32.69	\$ 32.69
Usage fee per 1,000 gallons*	\$ 2.97	\$ 2.97	\$ 3.42	\$ 3.51	\$ 3.60	\$ 3.69	\$ 3.78	\$ 3.87	\$ 3.97	\$ 3.97
Solid Waste										
Average number of customers per month	5,744	5,815	5,820	5,896	5,916	5,928	5,929	5,926	5,427	5,503
Total annual tonnage (hauled to landfill and grinder)	8,006	4,896	3,475	4,590	6,372	4,397	4,716	5,148	NA	4,022
Rate of Flat Monthly Fee*	\$ 5.65	\$ 5.65	\$ 7.35	\$ 7.54	\$ 7.54	\$ 7.73	\$ 7.92	\$ 7.92	\$ 7.92	\$ 7.92

Sources: Various City departments.

NA - Not Available

* Fees are prorated during initial & final months of service. Rates shown are those in effect as of September 30 of each year for residential service within the City limits.

OPERATING INFORMATION - Table 23

**City of Callaway, Florida
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
(UNAUDITED)
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government										
Administration Building (City Hall)	1	1	1	1	1	1	1	1	1	1
Modular Office Building (Planning)	-	-	1	1	1	1	1	1	1	1
Records Storage Building	1	1	1	1	1	1	1	1	1	1
Laserfiche Records System	1	1	1	1	1	1	1	1	1	1
Computer File Server	1	2	2	2	2	2	3	3	3	N/A
Video Surveillance System	-	-	-	-	-	1	1	1	1	1
Public Safety										
Fire Station w/crew quarters & equip. bays	1	1	1	1	1	1	1	1	1	1
Fire Engines	4	4	4	4	4	4	4	4	4	4
Rescue Vehicle w/response equipment	1	1	1	1	1	1	-	-	-	-
Brush Truck	1	1	1	1	1	1	1	1	1	1
Law Enforcement Sub-station (office)	1	1	1	1	1	1	1	1	1	1
Law Enforcement Patrol Units (equipped)*	15	15	15	15	19	16	16	16	16	NA
* Provided by contractual agreement with Bay County Sheriff's Office.										
Highways & Streets										
Street Miles	81	81	81	84.1	84.1	84.1	84.1	84.1	84.1	84.2
Street Lights	61	61	60	72	72	73	73	73	73	60
Traffic Signals	9	9	9	9	9	9	9	9	9	9
Maintenance										
Shop Building	1	1	1	1	1	1	1	1	1	1
Service Truck	1	1	1	1	1	1	1	1	1	1
Fuel Inventory/Usage Tracking System	1	1	1	1	1	1	1	1	1	1
Fuel Tanks (above ground)	2	2	2	2	2	2	2	2	2	2
Parks & Recreation										
Public Parks	6	6	6	6	6	6	6	6	6	6
Community/Conference Centers	2	2	2	2	2	2	2	2	2	2
Boat Ramp	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Fields	10	10	10	10	10	10	10	10	10	10
Football/Soccer Fields	5	5	7	7	7	7	7	7	7	7
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Basketball Court	1	1	1	1	1	1	1	1	1	1
Walking Trails	3	3	3	4	4	4	4	4	4	4
Water										
Active water meters, annual average	7,461	7,584	7,627	7,773	7,796	7,822	7,930	8,077	8,077	6,950
Auto-read meters included					1,048	1,050	1,265	1,320	1,769	4,468
Active Fire Hydrants (approx.)	350	400	396	418	470	470	470	470	675	480
Fieldbook Line Mapping System	1	1	1	1	1	1	1	-	-	-
Sewer										
Flow Capacity - reserved (Millions of gallon:	2.13812	2.13812	2.13812	2.13812	2.13812	2.13812	2.1381	2.13812	2.1381	2.1381
Lift stations in city	32	33	33	33	35	37	37	37	37	37
Vac-Con Trucks	2	2	2	2	2	2	2	2	2	2
Cues Camera-Equipped Truck	1	2	2	2	1	1	1	1	1	1
Solid Waste										
Trash Collection Trucks	4	4	4	4	4	4	4	4	4	5
Tub grinder	1	1	1	1	-	-	-	-	-	-

Source: Various City Departments
NA - Not Available

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

To the Honorable Mayor and City Commission
City of Callaway, Florida

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Callaway, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Callaway, Florida's basic financial statements and have issued our report thereon dated May 12, 2016.

Our report includes a reference to other auditors who audited the financial statements of Military Point Advanced Wastewater Treatment Facility joint venture, as described in our report on City of Callaway, Florida's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies. [2015-01, 2015-02, and 2015-03]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Callaway, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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 that would be required to be reported under *Government Auditing Standards*.

City of Callaway, Florida's Response to Findings

City of Callaway, Florida's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. City of Callaway, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

We also noted certain other matters that we reported to the City of Callaway, Florida, in a separate management letter dated May 12, 2016.

Warren Averett, LLC

Fort Walton Beach, Florida
May 12, 2016

**CITY OF CALLAWAY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

2015-01 Monthly Closing Process

Condition

The City's monthly closing process to include preparation and review of bank reconciliations and reconciliation of other material account balances is not completed on a timely basis. During fiscal year 2015, there was progress in completing the month-end close process in a timely manner; however, attention to this area is still warranted.

Criteria

The City's accounting policy manual, in tandem with a properly designed system of internal controls, require certain control activities such as reconciliations to be accomplished monthly. This allows for the production of accurate monthly reports of operating results and financial position. The City's accounting policy manual requires the production of a monthly balance sheet, revenue analysis, expense vs budget for the month and year to date and bank statement reconciliations for management and elected officials.

Cause

The City has experienced personnel turnover in its finance function. The Finance Director (both previous and current) has been unable to close the month on a timely basis due to numerous factors to include volume of the workload, lack of familiarity with the City's software, and issues stemming from utility billing along with strategic initiatives of management and Commission.

Effect

Not having essential month-end closing procedures performed on a timely basis increases the risk that a material misstatement will not be detected or not detected on a timely basis. Timely closing also allows the production of reports for management and Commission which are used in financial decision making.

Recommendation

We recommend the development of a formal closing schedule which indicates who is responsible for performing each procedure and when the completion of each procedures is due and accomplished. Commission should be kept abreast of the progress and, if the deadlines cannot be met on a consistent basis, the reasons identified

Management Response

Significant progress had been made toward bringing month-end close processes up-to-date. The Director of Finance position vacancy was filled in November of 2014 and Finance Department staffing and position duties were reorganized to improve internal controls and operating efficiency. Temporary assistance was employed in order to bring the bank reconciliations and other account reconciliations up-to-date. Additionally, the City's financial software vendor was utilized to access software set-up and processing inefficiencies. Software assessment recommendations, including staff training have recently been addressed. Other steps taken to improve monthly processing efficiencies include the implementation of online payment processing, utilization of lockbox services, electronic uploads of utility billing receipts, electronic service order processing, electronic approval of purchase orders and timesheets, updates to IT equipment and implementation of automated personnel benefits allocation and personnel benefit payment processing. Management had anticipated that bringing the month end close process up-to-date and addressing process improvements would be a time consuming and lengthy process.

**CITY OF CALLAWAY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

As of the date of the audit report, bank reconciliations and month-end close processes are up to date. Also budget variances and material account balances are currently being reviewed by the end of the subsequent month. Process and internal control improvements needed to compensate for the City's limited number of staff is ongoing.

Management concurs with the recommendation of developing a formal, written closing schedule to facilitate a timely month-end close process and to identify misstatements. Management will develop a written closing document which includes responsibilities assigned based on the City's recent realignment of staff duties.

2015-02 Written Policies and Procedures

Condition

The City's Accounting Policy and Procedure Manual and the Utility Billing Policy need to be updated to reflect policy changes as well as the current staffing configuration. Updates to the Accounting Policy and Procedures Manual and Utility Billing Policy Manual were last made on August 9, 2011 and June 12, 2012, respectively.

Criteria

In a properly designed system of internal controls written policies and procedures should be kept current; ideally updated on an annual basis.

Cause

The City has not dedicated resources to keep the manuals current.

Effect

City employees may not have a complete understanding of all policy; particularly new hires.

Recommendation

The accounting and billing policies should be updated to reflect current policy and processes. On-going the documents should be reviewed and updated on an annual basis.

Management Response

Management is in the process of updating the City's written policies and procedures manuals. Policy changes initiated by the Commission and other needed policy and procedure updates identified in collaborative meetings with pertinent staff are in the process. To date, staff has submitted updated policy and procedure manual drafts for utility billing and purchasing to the Commission for review. Staff review of the City's financial and personnel policy manuals are in process. Management will dedicate resources and assign responsibility for maintaining updates going forward.

2015-03 Utility Franchise Fee Understatement

Condition

Utility franchise fees were understated in fiscal year 2015 by approximately \$86 thousand due to an error until corrected via an audit adjustment.

**CITY OF CALLAWAY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Criteria

While errors are not uncommon, review procedures that are operating effectively should have detected the error in a timely fashion. Examples of review procedures that would have detected this error include a monthly budget-to-actual review or a detailed review of the month-end close procedures.

Cause

Starting in fiscal year 2015, the City began recognizing its utility franchise fees in the general fund rather than the water and sewer funds. During this transition, utility franchise fee revenue for one month was reversed twice by mistake.

Effect

Revenue and receivables for the water and sewer funds were understated by approximately \$53 thousand and \$35 thousand, respectively, until corrected via an audit adjustment.

Recommendation

We recommend that the City implement review procedures surrounding the month-end closing procedures such as accrual, reversals, and account sub-ledger reconciliations. Having such procedures in place and operating effectively is paramount to detecting and preventing such errors as well as having an effective overall control environment throughout the City.

Management Response

The accounting and budgeting for franchise fee revenue was amended during the fiscal year. The recording of franchise fees was changed to record the fees as General Fund revenue rather than Enterprise Fund revenue. The total amount of fees collected were then shown as a transfer from the General Fund to the Enterprise funds. The adjustments to the accounting treatment of these receipts contributed to the posting error discovered.

The adjustments made to the recording of franchise fees were unusual and should be uncommon going forward, however management will endeavor to develop monthly processing control procedures to assist in detecting posting errors.

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER
10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor and City Commission
City of Callaway, Florida

We have examined the City of Callaway, Florida's (the City) compliance with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2015.

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 of Callaway, Florida complied, in all material respects, with Florida Statute 218.415 with regards to the investments for the year ended September 30, 2015.

Warren Averett, LLC

Fort Walton Beach, Florida
May 12, 2016

MANAGEMENT LETTER

To the Honorable Mayor and City Commission
City of Callaway, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Callaway, Florida (the City), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated May 12, 2016.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated May 12, 2016, 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 report. Except as noted in the following table, corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report:

Tabulation of Uncorrected Audit Findings			
Description	Current Year Finding #	2013-14 FY Finding #	2012-13 FY Finding #
Monthly Closing Process	2015-01	2014-01	N/A
Written Policies and Procedures	2015-02	2014-05	N/A

Official Title and Legal Authority

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

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and 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(7), *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

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City, for the fiscal year ended September 30, 2015, 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, 2015. 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 all special district component units 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 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 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 City Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended us during our audit.

Warren Averett, LLC

Fort Walton Beach, Florida
May 12, 2016