

City of Lynn Haven, Florida

Financial Statements

September 30, 2010

City of Lynn Haven, Florida
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September 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Commission
City of Lynn Haven, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida (the City), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2011, on our consideration of the City of Lynn Haven, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis information on pages 3 through 9 and the schedule of funding progress for the retiree's health insurance other post employment benefits plan and schedule of employer contributions for the retiree's health insurance other post employment benefit plan on page 51 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the audit procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

February 2, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis

Management's discussion and analysis provide an easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

Financial Highlights

- Total assets of the City exceeded total liabilities by \$40,851,402 (net assets). Of this amount, \$1,781,398 is unrestricted net assets for governmental activities and \$9,210,694 is unrestricted net assets for business-type activities, while \$2,186,926 is restricted net assets for governmental activities and \$1,869,594 is a restricted net asset for business-type activities. Total net assets includes \$13,836,453 invested in capital assets (net of related debt) in the governmental activities and \$11,966,337 in the business-type activities.
- Total net assets increased by \$3,104,557. Of this amount, \$1,732,965 is attributable to governmental activities and \$1,371,592 is attributable to business-type activities.
- As of September 30, 2010, the general fund's unreserved fund balance was \$2,087,668 or 21% of total general fund expenditures.
- Governmental activities revenues decreased to \$10,577,119 or 4%, while governmental activities expenditures increased 3% to \$8,844,154. Business-type activities revenues decreased to \$8,716,250 or 3%, while business-type activities expenditures increased 7% to \$7,344,658.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to basic financial statements*. The *government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to basic financial statements* provide additional information concerning the City's finances that are not otherwise disclosed in the government-wide or fund financial statements.

Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net assets* and *statement of activities*. These statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities, as well as the change in net assets. Governmental activities are primarily supported by gross receipts taxes, utility taxes, franchise fees, and state shared revenues, while business-type activities are supported by charges to the users of activities, such as water, sewer, storm water and sanitation charges.

The *statement of net assets* presents information on all assets and liabilities of the City, with the difference between the two reported as *net assets*. Assets, liabilities and net assets are reported separately for governmental activities and business-type activities. Increases or decreases in net assets over time may serve as a useful indicator of the City's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenditures of the City and the change in net assets for the fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation/sick leave).

Expenditures are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the City. In order to better understand the City's operations, governmental activities expenditures include among others, general government services, public safety, highways and streets, and culture and recreation. Business-type activities expenses, which are financed by user fees and charges, include water, sewer, storm water, and sanitation services.

The government-wide financial statements include not only the City (known as the *primary government*), but also the following blended component unit: The City of Lynn Haven Redevelopment Agency. Financial information for this component unit is included in the City's financial information.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the City to account for revenues that are restricted to certain uses, or to comply with legal requirements. The three major categories of funds found in the City's *fund financial statements* include: governmental funds, proprietary funds, and fiduciary funds.

Fund financial statements provide financial information for the City's major funds and more detailed information about the City's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources. The fiduciary fund statement provides information concerning assets held in trust by the City for the benefit of parties outside the government.

Fund financial statements for all governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The City's general fund includes a statement of revenues, expenditures, and changes in fund balances-budget and actual. For the proprietary funds, a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows are presented. A statement of fiduciary net assets and a statement of changes in fiduciary net assets are presented for the City's fiduciary funds.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by governmental activities and business-type activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various activities, or functions provided by the City. All assets of the City, including buildings, land, and infrastructure are reported in the statement of net assets, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the City. The statement of activities includes depreciation on all long lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid doubling up the revenues and expenditures. The *fund financial statements* provide a presentation of the City's major funds, along with a column for all nonmajor funds. In the case of governmental activities,

outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

Notes to basic financial statements provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting practices of the City, investments of the City, and long-term debt are just a few of the items included in the notes to basic financial statements.

Government wide financial analysis of the City

The following schedule provides a summary of the assets, liabilities and net assets of the City. At the end of the fiscal years 2010 and 2009, the City is able to report positive balances in all three categories of net assets, for the government as a whole, and for its governmental and business-type activities.

Net Assets

September 30,	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,564,465	\$ 4,062,802	\$12,061,947	\$14,184,677	\$16,626,412	\$18,247,479
Capital assets	17,532,297	16,115,898	32,489,007	30,387,462	50,021,304	46,503,360
Total assets	22,096,762	20,178,700	44,550,954	44,572,139	66,647,716	64,750,839
Current liabilities	280,993	206,793	563,347	832,023	844,340	1,038,816
Noncurrent liabilities	4,010,992	3,900,095	20,940,982	22,065,083	24,951,974	25,965,178
Total liabilities	4,291,985	4,106,888	21,504,329	22,897,106	25,796,314	27,003,994
Net assets invested in capital assets, net of related debt	13,836,453	12,518,906	11,966,337	8,083,402	25,802,790	20,602,308
Net assets – restricted	2,186,926	1,138,023	1,869,594	2,353,279	4,056,520	3,491,302
Net assets – unrestricted	1,781,398	2,414,883	9,210,694	11,238,352	10,992,092	13,653,235
Total net assets	\$17,804,777	\$16,071,812	\$23,046,625	\$21,675,033	\$40,851,402	\$37,746,845

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net assets (63%). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net assets*, representing 10% of the City's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net assets* (\$10,992,092) may be used to help meet the government's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net assets.

Changes in Net Assets

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program revenues						
Charges for services	\$632,038	\$1,380,186	\$8,666,997	\$8,797,580	\$ 9,299,035	\$10,177,766
Operating grants/contributions	246,481	780,248	-	-	246,481	780,248
Capital grants/contributions	1,134,387	351,063	-	-	1,134,387	351,063
General revenues						
Gross receipts taxes	5,207,910	5,259,324	-	-	5,207,910	5,259,324
Utility taxes/franchise fees	2,916,773	2,678,478	-	-	2,916,773	2,678,478
Property taxes, CRA	296,996	331,758	-	-	296,996	331,758
Other	142,534	185,907	49,253	159,656	191,787	345,563
Total revenues	10,577,119	10,966,964	8,716,250	8,957,236	19,293,369	19,924,200
Expenses						
General government	2,505,605	2,387,913	-	-	2,505,605	2,387,913
Public safety	3,735,935	3,667,314	-	-	3,735,935	3,667,314
Highways and streets	960,851	912,297	-	-	960,851	912,297
Culture/recreation	1,490,981	1,417,440	-	-	1,490,981	1,417,440
Interest on long-term debt	150,782	170,193	-	-	150,782	170,193
Water	-	-	2,093,321	1,840,106	2,093,321	1,840,106
Sewer	-	-	3,176,149	3,054,783	3,176,149	3,054,783
Sanitation	-	-	1,651,210	1,583,137	1,651,210	1,583,137
Storm water	-	-	423,978	396,210	423,978	396,210
Total expenses	8,844,154	8,555,157	7,344,658	6,874,236	16,188,812	15,429,393
Increase in net assets	\$1,732,965	\$2,411,807	\$1,371,592	\$2,083,000	\$ 3,104,557	\$ 4,494,807

Governmental activities revenues exceeded expenses by \$1,732,965, while business-type activities revenues exceeded expenses by \$1,371,592. Total revenues decreased \$630,831 from the previous year. Revenues decreased as a result of several factors. Operating grants and contribution revenues decreased \$533,767, while capital grants and contribution revenue increased by \$783,324. Utility and franchise tax revenues increased \$238,295. Charges for services decreased \$878,731 due to prior year impact fee revenue increase. Total expenses increased \$759,419 from the previous year. General government expenditures increased \$117,692. Public safety expenditures increased by \$68,621. Utility expenses increased \$470,422.

49% of the revenues for governmental activities were generated by gross receipts taxes, while most of the governmental resources were expended for public safety (42%), general government (28%), culture and recreation (17%), and highways and streets (11%) activities.

Charges for services provided 99% of the revenues for business-type activities, while the sewer fund consumed 43% of business-type activities expenses.

Financial Analysis of the City's Funds

Governmental Funds

General Fund

The main operating fund of the City is the general fund. As of September 30, 2010, total assets were \$3,312,381 and total liabilities were \$248,774. At the end of fiscal year 2010, unreserved fund balance of the general fund was \$2,087,668, while total fund balance equaled \$3,063,607.

The general fund's budget was amended during the year to reflect increases in revenue and decreases in anticipated expenditures.

Other Governmental Funds

The *Community Redevelopment Fund* is used by the City to account for the revenues and expenses of the Lynn Haven Community Redevelopment Agency. The community redevelopment fund's budget was amended during the year to reflect decreases in anticipated revenues and the corresponding decreases in expenditures which resulted from the decrease in available funds.

The *Debt Service Fund* is used by the City to account for principal and interest payments on general fund debt. The City does not adopt a budget for the debt service fund, instead debt service fund revenues and expenditures are budgeted indirectly as transfers to the debt service fund and interest expense in the general fund.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. All proprietary funds are reported as major funds.

Unrestricted net assets of proprietary funds at the end of the year are presented below:

Fund	Unrestricted Net Assets	
	2010	2009
September 30,		
Water	\$ 5,004,200	\$ 7,279,005
Sewer	1,262,881	1,413,981
Sanitation	2,801,048	2,401,808
Storm water	142,565	143,558
Total	\$ 9,210,694	\$ 11,238,352

The *Proprietary Funds* are used to account for the operations of the City's utility systems. Refer to the statement of net assets – proprietary funds and the statement of revenues, expenses, and changes in net assets – proprietary funds for specific numerical data.

Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2010, was \$50,021,304 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Purchase of fire truck - \$348,126
- Purchase of trash truck - \$107,845
- New fuel station with storage tanks - \$104,983
- 17th Street ditch box culverts - \$552,942
- New water storage tank - \$773,975
- Completion of water plant rehabilitation - \$1,648,236
- Street paving - \$270,578
- Mosley Drive sidewalks construction in progress - \$928,088

**Capital Assets
(net of depreciation)**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 2,349,817	\$ 2,069,292	\$ 1,651,285	\$ 1,601,285	\$ 4,001,102	\$ 3,670,577
Construction in progress	963,512	407,229	707,975	2,473,678	1,671,487	2,880,907
Buildings	2,465,546	2,490,418	732,079	711,747	3,197,625	3,202,165
Improvements	10,747,918	10,506,210	28,074,664	24,692,020	38,822,582	35,198,230
Machinery and equipment	1,005,504	642,749	1,323,004	908,732	2,328,508	1,551,481
Total	\$17,532,297	\$16,115,898	\$32,489,007	\$30,387,462	\$50,021,304	\$46,503,360

Additional information on the City's capital assets can be found in Note 6 – Capital Assets, of the notes to the basic financial statements.

Debt Management

At the end of the current fiscal year, the City had total bond debt outstanding in the amount of \$23,390,000. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bond Debt

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue bonds	\$ 2,867,330	\$ 3,013,270	\$ 20,522,670	\$ 21,671,730	\$ 23,390,000	\$ 24,685,000

Principal repayments during the year on revenue bonds totaled \$1,295,000.

More detail on the City's liabilities is presented in notes 8 and 9 of the notes to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

While the Panhandle region of Florida, of which Lynn Haven is a part, continues to experience a decline in property values, Lynn Haven's taxable value continues to rise. State mandated ad valorem tax rate cuts in both 2007 and 2008 have affected the City's ability to fund some long-term projects. Concomitantly, those revenue shortfalls have forced manpower cuts which have reduced the level of service the City has performed heretofore.

At September 30, 2010, unreserved fund balance in the general fund was \$2,087,668. Use of available fund balance will enable the City to perform its basic mission and to be prepared for emergencies should they arise. As part of the regular budget monitoring process, the finance department prepares a monthly financial report that the City Manager and City Commission can use to follow the actual performance of revenue and expenditure estimates. In addition, during the year an analysis of the budget estimates versus the actual results is done to assess the need for any supplemental appropriations. When necessary, the City Commission passes supplemental appropriations resolutions with at least one at year end.

Contacting the City's Finance Department

This financial report is designed to provide a general overview of the City of Lynn Haven's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Lynn Haven Finance Department, 825 Ohio Avenue, Lynn Haven, Florida 32444. You may visit the City's website at www.cityoflynnhaven.com or send email to cityhall@cityoflynnhaven.com.

City of Lynn Haven, Florida
Statement of Net Assets
September 30, 2010

Primary Government			
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,961,971	\$ 7,909,911	\$ 10,871,882
Accounts receivable (net)	15,331	443,729	459,060
Taxes receivable	49,015	-	49,015
Grants receivable	238,827	-	238,827
Prepaid expenses	262,541	-	262,541
Inventory	39,553	48,989	88,542
Temporarily restricted assets			
Cash and cash equivalents	997,227	1,869,595	2,866,822
Total current assets	4,564,465	10,272,224	14,836,689
Noncurrent assets			
Deferred charges	-	1,789,723	1,789,723
Capital assets			
Nondepreciable	3,313,329	2,359,260	5,672,589
Depreciable (net of accumulated depreciation)	14,218,968	30,129,747	44,348,715
Total noncurrent assets	17,532,297	34,278,730	51,811,027
Total assets	22,096,762	44,550,954	66,647,716
Liabilities			
Current liabilities			
Accounts payable	4,053	30,572	34,625
Accrued expenses	197,250	31,633	228,883
Accrued interest	30,675	293,064	323,739
Deferred revenue	49,015	208,078	257,093
Total current liabilities	280,993	563,347	844,340
Noncurrent liabilities			
Customer deposits	-	348,480	348,480
Due within one year			
Accrued compensated absences	43,841	10,475	54,316
Notes payable	94,753	-	94,753
Revenue bonds payable	155,200	1,189,800	1,345,000
Due in more than one year			
Accrued compensated absences	271,307	59,357	330,664
Notes payable	733,761	-	733,761
Revenue bonds payable	2,712,130	19,332,870	22,045,000
Total noncurrent liabilities	4,010,992	20,940,982	24,951,974
Total liabilities	4,291,985	21,504,329	25,796,314
Net assets			
Invested in capital assets (net of related debt)	13,836,453	11,966,337	25,802,790
Restricted			
Law enforcement education	6,283	-	6,283
Capital repair and replacement	880,104	541,502	1,421,606
Debt service	110,350	1,328,092	1,438,442
Library	50,000	-	50,000
Community redevelopment	1,140,189	-	1,140,189
Unrestricted	1,781,398	9,210,694	10,992,092
Total net assets	\$ 17,804,777	\$ 23,046,625	\$ 40,851,402

See accompanying notes

City of Lynn Haven, Florida
Statement of Activities
Year Ended September 30, 2010

Functions / Programs	Net (Expenses) Revenues and Change in Net Assets						
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
Legislative	\$ 76,846	\$ -	\$ -	\$ -	\$ (76,846)	\$ -	\$ (76,846)
Executive	314,742	-	-	-	(314,742)	-	(314,742)
Administration and finance	272,949	-	-	-	(272,949)	-	(272,949)
Professional services	280,239	-	-	-	(280,239)	-	(280,239)
Development and planning	313,323	139,087	-	-	(174,236)	-	(174,236)
Protective inspections	267,306	-	-	-	(267,306)	-	(267,306)
Public works	283,742	-	-	-	(283,742)	-	(283,742)
Other general government	696,456	137,438	246,481	1,027,028	714,491	-	714,491
Law enforcement	2,475,364	87,523	-	25,818	(2,362,023)	-	(2,362,023)
Fire protection	1,260,571	30,218	-	-	(1,230,353)	-	(1,230,353)
Streets	654,160	100,040	-	-	(554,120)	-	(554,120)
Fleet management	306,691	-	-	-	(306,691)	-	(306,691)
Library	201,227	5,431	-	55,687	(140,109)	-	(140,109)
Leisure services	1,289,756	132,301	-	25,854	(1,131,601)	-	(1,131,601)
Interest on long-term debt	150,782	-	-	-	(150,782)	-	(150,782)
Total governmental activities	8,844,154	632,038	246,481	1,134,387	(6,831,248)	-	(6,831,248)
Business-type activities							
Water	2,093,321	3,161,110	-	-	-	1,067,789	1,067,789
Sewer	3,176,149	2,867,955	-	-	-	(308,194)	(308,194)
Sanitation	1,651,210	2,208,525	-	-	-	557,315	557,315
Storm water	423,978	429,407	-	-	-	5,429	5,429
Total business-type activities	7,344,658	8,666,997	-	-	-	1,322,339	1,322,339
Total primary government	\$ 16,188,812	\$ 9,299,035	\$ 246,481	\$ 1,134,387	(6,831,248)	1,322,339	(5,508,909)
General revenues							
Taxes							
Gross receipts					5,207,910	-	5,207,910
Utility taxes					1,594,874	-	1,594,874
Franchise fees					1,321,899	-	1,321,899
Property taxes					296,996	-	296,996
Rents					80,648	-	80,648
Miscellaneous					48,928	27,222	76,150
Total general revenues					8,551,255	27,222	8,578,477
Interest earnings					12,958	22,031	34,989
Total general revenues and interest					8,564,213	49,253	8,613,466
Change in net assets					1,732,965	1,371,592	3,104,557
Net assets - beginning					16,071,812	21,675,033	37,746,845
Net assets - ending					\$ 17,804,777	\$ 23,046,625	\$ 40,851,402

See accompanying notes
11

City of Lynn Haven, Florida
Balance Sheet
Governmental Funds
September 30, 2010

	General Fund	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 1,820,237	\$ 1,141,734	\$ 2,961,971
Accounts receivable (net)	15,331	-	15,331
Taxes receivable	49,015	-	49,015
Prepaid expenses	262,541	-	262,541
Due from other governments	238,827	-	238,827
Inventory	39,553	-	39,553
Cash and cash equivalents - restricted	886,877	110,350	997,227
Total assets	\$ 3,312,381	\$ 1,252,084	4,564,465
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 4,053	\$ -	4,053
Accrued expenses	195,706	1,544	197,250
Deferred revenue	49,015	-	49,015
Total liabilities	248,774	1,544	250,318
Fund balances			
Reserved for			
Inventory	39,552	-	39,552
Library	50,000	-	50,000
Law enforcement education	6,283	-	6,283
Impact fees	880,104	-	880,104
Unreserved, reported in			
General fund	2,087,668	-	2,087,668
Community redevelopment fund	-	1,140,189	1,140,189
Debt service fund	-	110,351	110,351
Total fund balances	3,063,607	1,250,540	4,314,147
Total liabilities and fund balances	\$ 3,312,381	\$ 1,252,084	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			17,532,297
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(4,041,667)
Net assets of governmental activities			\$ 17,804,777

City of Lynn Haven, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2010

	General Fund	Other Governmental Funds	Total
Revenues			
Taxes			
Gross receipts	\$ 4,109,037	\$ -	\$ 4,109,037
Utility	1,136,557	-	1,136,557
Property taxes	-	296,996	296,996
Intergovernmental	1,557,190	-	1,557,190
Licenses and permits	1,640,736	-	1,640,736
Fines and forfeitures	34,928	-	34,928
Charges for services	272,971	-	272,971
Contributions and donations	110,682	-	110,682
Grants	1,270,186	-	1,270,186
Interest	9,488	3,470	12,958
Other fees and miscellaneous	134,476	401	134,877
Total revenues	10,276,251	300,867	10,577,118
Expenditures			
Current			
Legislative	76,846	-	76,846
Executive	293,926	-	293,926
Administration and finance	274,888	-	274,888
Professional services	280,239	-	280,239
Development and planning	192,753	100,492	293,245
Protective inspections	265,598	-	265,598
Public works	275,410	-	275,410
Other general government	597,137	-	597,137
Law enforcement	2,422,972	-	2,422,972
Fire protection	1,233,712	-	1,233,712
Streets	481,318	-	481,318
Fleet management	166,737	-	166,737
Library	175,841	-	175,841
Leisure services	1,242,876	-	1,242,876
Capital outlay	1,935,218	81,761	2,016,979
Debt service			
Principal	-	249,274	249,274
Interest and fiscal charges	1,360	150,639	151,999
Total expenditures	9,916,831	582,166	10,498,997
Excess (deficit) of revenues over (under) expenditures	359,420	(281,299)	78,121
Other financing sources (uses)			
Transfers in	-	402,226	402,226
Transfers out	(402,226)	-	(402,226)
Debt issued	348,126	-	348,126
Total other financing sources (uses)	(54,100)	402,226	348,126
Net changes in fund balances	305,320	120,927	426,247
Fund balances - beginning	2,758,287	1,129,613	3,887,900
Fund balances - ending	\$ 3,063,607	\$ 1,250,540	\$ 4,314,147

City of Lynn Haven, Florida
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended September 30, 2010

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net changes in fund balances - total governmental funds (page 13)	\$	426,247
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		1,416,399
The issuance of long-term debt (i.e. bonds, leases) 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 assets. Also governmental funds report the effect of the issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(98,852)
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.		(10,829)
<hr/>		
Change in net assets of governmental activities (page 11)	\$	<u>1,732,965</u>

City of Lynn Haven, Florida
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Gross receipts	\$ 4,078,956	\$ 4,109,037	\$ 4,109,037	\$ -
Utility taxes	1,001,968	1,136,557	1,136,557	-
Intergovernmental	1,451,819	1,557,190	1,557,190	-
Licenses and permits	1,369,477	1,640,736	1,640,736	-
Fines and forfeitures	40,800	34,928	34,928	-
Charges for services	229,215	272,971	272,971	-
Contributions and donations	19,575	110,682	110,682	-
Grants	1,645,032	1,270,186	1,270,186	-
Interest	5,600	9,488	9,488	-
Other fees and miscellaneous	128,445	134,476	134,476	-
Total revenues	9,970,887	10,276,251	10,276,251	-
Expenditures				
Current				
Legislative	70,109	76,846	76,846	-
Executive	298,600	293,926	293,926	-
Administration and finance	336,531	274,888	274,888	-
Professional services	290,888	280,239	280,239	-
Development and planning	204,925	192,753	192,753	-
Protective inspections	274,727	265,598	265,598	-
Public works	281,272	275,410	275,410	-
Other general government	995,003	597,137	597,137	-
Law enforcement	2,525,399	2,422,972	2,422,972	-
Fire protection	1,232,839	1,233,712	1,233,712	-
Streets	485,457	481,318	481,318	-
Fleet management	157,197	166,737	166,737	-
Library	170,829	175,841	175,841	-
Leisure services	1,252,189	1,242,876	1,242,876	-
Capital outlay	2,026,342	1,935,218	1,935,218	-
Debt Service				
Interest and fiscal charges	1,360	1,360	1,360	-
Total expenditures	10,603,667	9,916,831	9,916,831	-
Excess (deficit) of revenues over (under) expenditures	(632,780)	359,420	359,420	-
Other financing sources (uses)				
Transfers in	425,000	-	-	-
Transfers out	(404,977)	(402,226)	(402,226)	-
Debt issued	350,000	348,126	348,126	-
Total other financing sources (uses)	370,023	(54,100)	(54,100)	-
Net changes in fund balances	\$ (262,757)	\$ 305,320	\$ 305,320	\$ -

See accompanying notes

City of Lynn Haven, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2010

Business-type Activities / Enterprise Funds

	Water	Sewer	Sanitation	Storm water	Total
Assets					
Current assets					
Equity in pooled cash	\$ 4,748,431	\$ 309,230	\$ 2,718,465	\$ 133,785	\$ 7,909,911
Accounts receivable (net)	162,940	143,850	111,443	18,928	437,161
Assessments receivable	6,568	-	-	-	6,568
Inventory	48,989	-	-	-	48,989
Restricted assets - cash					
Investment savings	781,412	1,063,418	-	24,765	1,869,595
Total current assets	5,748,340	1,516,498	2,829,908	177,478	10,272,224
Noncurrent assets					
Deferred charges	519,194	1,270,529	-	-	1,789,723
Capital assets					
Land	220,302	1,417,983	-	13,000	1,651,285
Buildings	741,433	593,507	-	-	1,334,940
Vehicles	155,302	138,079	1,074,424	53,460	1,421,265
Improvements other than buildings	10,492,639	27,088,859	-	1,985,671	39,567,169
Furniture and equipment	742,373	373,606	630,114	297,510	2,043,603
Construction in progress	98,524	480,193	-	129,258	707,975
Total capital assets	12,450,573	30,092,227	1,704,538	2,478,899	46,726,237
Less accumulated depreciation	3,029,200	9,665,508	1,091,382	451,140	14,237,230
Net capital assets	9,421,373	20,426,719	613,156	2,027,759	32,489,007
Total noncurrent assets	9,940,567	21,697,248	613,156	2,027,759	34,278,730
Total assets	15,688,907	23,213,746	3,443,064	2,205,237	44,550,954
Liabilities					
Current liabilities					
Accounts payable	1,140	25,934	3,016	482	30,572
Accrued expenses	10,846	8,699	7,528	4,560	31,633
Accrued interest	91,984	201,080	-	-	293,064
Deferred revenue	-	208,078	-	-	208,078
Total current liabilities	103,970	443,791	10,544	5,042	563,347
Noncurrent liabilities					
Customer deposits	348,480	-	-	-	348,480
Due within one year					
Accrued compensated absences	4,421	2,541	2,747	766	10,475
Bonds payable	217,334	972,466	-	-	1,189,800
Due in more than one year					
Accrued compensated absences	25,051	14,397	15,569	4,340	59,357
Bonds payable	6,249,585	13,083,285	-	-	19,332,870
Total noncurrent liabilities	6,844,871	14,072,689	18,316	5,106	20,940,982
Total liabilities	6,948,841	14,516,480	28,860	10,148	21,504,329
Net assets					
Invested in capital assets (net of related debt)	2,954,454	6,370,968	613,156	2,027,759	11,966,337
Restricted					
Capital repair and replacement	499,241	17,496	-	24,765	541,502
Debt service	282,171	1,045,921	-	-	1,328,092
Unrestricted					
	5,004,200	1,262,881	2,801,048	142,565	9,210,694
Total net assets	\$ 8,740,066	\$ 8,697,266	\$ 3,414,204	\$ 2,195,089	\$ 23,046,625

See accompanying notes

City of Lynn Haven, Florida
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended September 30, 2010

Business-type Activities / Enterprise Funds

	Water	Sewer	Sanitation	Storm water	Total
Operating revenues					
Charges for services	\$ 2,788,022	\$ 2,600,838	\$ 2,208,525	\$ 350,030	\$ 7,947,415
Connection/reconnection fees	164,297	-	-	-	164,297
Delinquent penalties	134,875	-	-	-	134,875
Impact fees	50,166	260,942	-	79,377	390,485
Tap fees	23,750	6,175	-	-	29,925
Total operating revenues	3,161,110	2,867,955	2,208,525	429,407	8,666,997
Operating expenses					
Salaries	452,457	364,569	309,327	169,200	1,295,553
Payroll taxes	30,403	25,070	19,901	11,144	86,518
Pension benefit	87,855	71,599	60,572	33,334	253,360
Employee insurance	44,596	31,946	61,923	27,271	165,736
Workers' compensation insurance	12,533	7,298	24,297	10,039	54,167
Total personnel expenses	627,844	500,482	476,020	250,988	1,855,334
Utilities	130,145	397,407	3,144	134	530,830
Miscellaneous	2,572	-	-	-	2,572
Fuel and oil	20,235	18,674	58,614	12,076	109,599
Chlorine and chemicals	25,156	148,254	-	-	173,410
Depreciation	360,043	865,719	115,672	65,107	1,406,541
Repairs and maintenance	13,566	114,265	50,810	9,350	187,991
Professional services	38,977	8,426	35	10,310	57,748
Contractual services	364,019	309,042	647,411	-	1,320,472
Communications	4,760	2,256	596	-	7,612
Uniform rental	2,129	2,932	3,947	1,790	10,798
Dues and subscriptions	2,313	-	-	-	2,313
Training	1,069	1,356	-	-	2,425
Rentals and leases	3,654	7,682	-	3,673	15,009
Operating supplies	143,603	61,033	4,376	69,433	278,445
Office supplies	3,145	92	-	-	3,237
Tipping fees	-	-	279,603	-	279,603
Travel	9	-	-	-	9
Postage and courier	37,466	2,875	-	-	40,341
Insurance	-	4,747	-	-	4,747
Loss on disposition of assets	-	-	2,876	-	2,876
Bad debts	10,587	9,005	8,106	1,117	28,815
Total operating expenses	1,791,292	2,454,247	1,651,210	423,978	6,320,727
Operating income	1,369,818	413,708	557,315	5,429	2,346,270
Nonoperating revenues (expenses)					
Miscellaneous	21,467	-	5,755	-	27,222
Interest revenue	13,497	1,641	5,903	990	22,031
Interest expense and amortization of fiscal costs	(302,029)	(721,902)	-	-	(1,023,931)
Total nonoperating revenues (expenses)	(267,065)	(720,261)	11,658	990	(974,678)
Net income (loss) before transfers	1,102,753	(306,553)	568,973	6,419	1,371,592
Transfers in (out)	(400,000)	400,000	(161,764)	161,764	-
Changes in net assets	702,753	93,447	407,209	168,183	1,371,592
Total net assets - beginning	8,037,313	8,603,819	3,006,995	2,026,906	21,675,033
Total net assets - ending	\$ 8,740,066	\$ 8,697,266	\$ 3,414,204	\$ 2,195,089	\$ 23,046,625

See accompanying notes

City of Lynn Haven, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2010

Business-type Activities / Enterprise Funds					
	Water	Sewer	Sanitation	Storm water	Total
Operating activities					
Receipts from customers and users	\$ 3,161,009	\$ 2,863,789	\$ 2,206,710	\$ 428,541	\$ 8,660,049
Payments to suppliers and others	(991,526)	(967,052)	(1,078,067)	(112,409)	(3,149,054)
Payments for personal services	(627,844)	(500,482)	(476,020)	(250,988)	(1,855,334)
Net cash provided by operating activities	1,541,639	1,396,255	652,623	65,144	3,655,661
Noncapital financing activities					
Miscellaneous receipts	21,467	-	5,755	-	27,222
Payments (to)/from other funds	(400,000)	400,000	(161,764)	161,764	-
Payments from other governments	(1,075)	-	-	-	(1,075)
Net cash provided by (used for) noncapital financing activities	(379,608)	400,000	(156,009)	161,764	26,147
Capital and related financing activities					
Acquisition of capital assets	(2,470,925)	(154,228)	(123,641)	(759,292)	(3,508,086)
Principal paid on revenue bonds	(211,242)	(937,818)	-	-	(1,149,060)
Interest paid on revenue bonds	(305,036)	(734,531)	-	-	(1,039,567)
Net cash used for capital and related financing activities	(2,987,203)	(1,826,577)	(123,641)	(759,292)	(5,696,713)
Investing activities					
Interest received	13,497	1,641	5,903	990	22,031
Net cash provided by investing activities	13,497	1,641	5,903	990	22,031
Net increase (decrease) in cash and cash equivalents	(1,811,675)	(28,681)	378,876	(531,394)	(1,992,874)
Cash and cash equivalents - beginning	7,341,518	1,401,329	2,339,589	689,944	11,772,380
Cash and cash equivalents - ending	\$ 5,529,843	\$ 1,372,648	\$ 2,718,465	\$ 158,550	\$ 9,779,506
Classified as cash					
Unrestricted	\$ 4,748,431	\$ 309,230	\$ 2,718,465	\$ 133,785	\$ 7,909,911
Investment savings	781,412	1,063,418	-	24,765	1,869,595
Cash and cash equivalents - ending	\$ 5,529,843	\$ 1,372,648	\$ 2,718,465	\$ 158,550	\$ 9,779,506

(Continued)

City of Lynn Haven, Florida
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2010

Business-type Activities / Enterprise Funds					
	Water	Sewer	Sanitation	Storm water	Total
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 1,369,818	\$ 413,708	\$ 557,315	\$ 5,429	\$ 2,346,270
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	360,043	865,719	115,672	65,107	1,406,541
Increase in accounts receivable	(14,766)	(4,166)	(1,815)	(866)	(21,613)
Decrease in inventory	18,418	-	-	-	18,418
Decrease in deferred charges	24,350	108,701	-	-	133,051
Increase (decrease) in accounts payable	(239,632)	9,944	(21,956)	(5,372)	(257,016)
Increase in accrued expenses	8,743	2,349	3,407	846	15,345
Increase in customer deposits	14,665	-	-	-	14,665
Net cash provided by operating activities	<u>\$ 1,541,639</u>	<u>\$ 1,396,255</u>	<u>\$ 652,623</u>	<u>\$ 65,144</u>	<u>\$ 3,655,661</u>

City of Lynn Haven, Florida
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

	Pension Trust Funds
<hr/>	
Assets	
Investment savings	\$ 15,959,865
Contributions Receivable	23,272
<hr/>	
Total assets	15,983,137
Liabilities	
Total liabilities	-
<hr/>	
Net assets	
Held in trust for pension benefits	\$ 15,983,137
<hr/>	

City of Lynn Haven, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2010

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 963,352
Plan members	251,273
State	217,494
Settlements	3,664
Total contributions	1,435,783
Investment earnings	
Interest	49,908
Dividends	356,936
Net increase in fair value of investments	836,288
Total investment earnings	1,243,132
Less investment expenses	121,842
Net investment earnings	1,121,290
Total additions	2,557,073
Deductions	
Benefits	177,101
Refunds of contributions	106,506
Total deductions	283,607
Change in net assets	2,273,466
Net assets held in trust for pension benefits	
Net assets - beginning	13,709,671
Net assets - ending	\$ 15,983,137

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lynn Haven (the City) have been prepared in conformity with United States generally accepted accounting principles (U.S. GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

This summary of the City's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies are considered essential and should be read in conjunction with the accompanying financial statements.

Reporting Entity

The City of Lynn Haven, Florida, is incorporated under the provisions of the State of Florida (Laws of Florida, 1951, Ch. 27685, Sec. 5) and operates under a Council-Manager form of government that provides the following services as authorized by its charter: law enforcement, fire, streets, sanitation, culture/recreation, public improvements, planning and zoning, general administrative services, and utilities operations.

Component Unit – Lynn Haven CRA

This report includes financial statements of the funds required to account for those financial activities which are related to the City and are controlled by or dependent upon the City's legislative body, the City Commission. The City has one component unit as defined by GASB Statement 14, *The Financial Reporting Entity* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which is required to be included in these financial statements. A component unit is an entity for which the City is considered to be financially accountable and is included in the City's reporting entity because of the significance of its operational or financial relationships with the City. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The Lynn Haven Community Redevelopment Agency (Agency) is operated by the City. The Agency was created on May 25, 2004, by City Resolution 2004-05-350 pursuant to Florida Statute 163.387. All of the City's commission members serve as board members of the Agency. The Agency is presented as a governmental fund type with fiscal a year end of September 30.

Due to the nature and significance of the Agency's relationship with the City, exclusion of the Agency's financial operations would render the City's financial statements incomplete or misleading. The Agency's governing body is the same as the governing body of the City and the Agency does provide services specifically to the Lynn Haven Redevelopment Area of the City. The Agency is disclosed using the blended presentation method. Complete financial statements for the Lynn Haven Community Redevelopment Agency may be obtained from the City of Lynn Haven Finance Department, 825 Ohio Avenue, Lynn Haven, Florida 32444.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. 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. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government’s citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. The City chooses to eliminate the indirect costs between governmental activities to avoid duplicating revenues and expenditures.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statement includes financial information for the agency funds. The agency funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or governments.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of available spendable resources. Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources are expended, rather than as fund assets. The proceeds of long-term debt are recorded as an "other financing source" rather than as a fund liability.

Proprietary Funds

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than an "other financing" source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity and include pension trust funds. Pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

Basis of Presentation

GASB Statement 34 sets forth minimum criteria (percentage of the 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 nonmajor governmental funds include community redevelopment and the debt service fund.

Governmental Major Funds

General Fund - The general fund is the general operating fund of the City. It is used to account for all activities of the general government except those required to be accounted for in another fund.

Proprietary Major Funds

Utility Funds - The utility funds are used to account for operations and activities related to the water, sewer, sanitation and storm water systems within the City.

Noncurrent Governmental Assets/Liabilities

GASB Statement 34 requires noncurrent governmental assets, such as land, buildings and equipment, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net assets.

Budgets

Annual budgets are legally adopted for all governmental funds, except those indicated in Note 3, and proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles, except as described in Note 3. All annual appropriations lapse at fiscal year end.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The City budgets expenditures at the department level. Only the City Commission can approve budget amendments that change the total approved budget appropriation of an individual department. The City manager can transfer appropriations within the departmental budget, but cannot change the total appropriation of an individual department without the approval of the City Commission.

If, during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the 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 Commission.

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 are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. However, all encumbrances lapse at year end and, accordingly, a reserve for encumbrances is not reported in the accompanying basic financial statements.

Encumbrances are reestablished at the beginning of the fiscal year if funds are appropriated in the annual budget. Encumbrances do not constitute expenditures or liabilities.

Cash and Cash Equivalents

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments as applicable.

For the purpose of the statements of cash flows in the proprietary fund types, the City considers cash, certificates of deposits with maturities of up to one year, and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City has adopted the reporting required by *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investments are recorded at fair value based on quoted market values as described in Note 4.

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventory in governmental funds consists of expendable supplies held for consumption stated on a first-in/first-out basis. It is reported at cost which is recorded as an expenditure at the time individual inventory items are purchased. Reported inventory in these funds is equally offset by a fund balance reserve which indicates inventory amounts do not constitute available spendable resources even though they are a component of net current assets. Inventory in proprietary funds is valued at the lower of cost (first-in, first-out) or market.

Other Assets

Other assets held are recorded and accounted for at cost.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, infrastructure, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are stated at cost, except for contributed assets, which are recorded at fair market value on the date received by the City. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are generally as follows:

Water distribution system	
Original system	50 Years
Additions	10-50 Years
Sewer system	
Original system	30 Years
Additions	20-50 Years
Machinery and equipment	5-10 Years

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

The City reports long-term debt of governmental funds at face value in the government-wide long-term liabilities. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide long-term liabilities.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Capitalization of Interest

Interest costs related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments in business-type activities. The City does not capitalize interest in governmental activities. During the year ended September 30, 2010, the City capitalized no interest.

Unamortized Bond Costs

Bond issuance costs and legal fees associated with the issuance of proprietary fund revenue bonds are amortized over the life of the bonds using the straight-line method.

Bond discounts associated with the issuance of proprietary fund revenue bonds are amortized over the life of the bonds using the straight-line method. For financial reporting, unamortized bond discounts are netted against the applicable long-term debt.

Deferred Revenues

Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

Restricted Assets

Certain assets of the various funds are required by resolutions or ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. All property is assessed by the county according to its fair market value on January 1 of each year. Each assessment roll is submitted to the executive director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10

City of Lynn Haven, Florida

Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

mills for general operations. The City's millage rate for the year ended September 30, 2010, was 3.0887 mills.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest of 18% per year. On, or prior to, June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer.

Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

The City tax calendar is as follows: valuation date: January 1; levy date: November 1; due date; March 31, succeeding year; and lien date: April 1, succeeding year.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

Subsequent events

The City evaluates subsequent events through the date the financial statements are issued.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between fund balance - *total* governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this difference are as follows:

Cost of capital assets	\$ 25,007,254
Less: accumulated depreciation	7,474,957
<hr/>	
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 17,532,297
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City of Lynn Haven, Florida

Notes to Basic Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Another element of that reconciliation states, "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$	2,867,330
Notes payable		828,514
Compensated absences		315,148
Accrued interest		30,675

Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$	4,041,667
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Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$	2,016,979
Depreciation expense		(600,580)

Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$	1,416,399
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Another element of that reconciliation states, "the issuance of long-term debt (i.e., bonds, leases) 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 assets. 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." The details of this difference are as follows:

Proceeds from debt	\$	348,126
Principal repayments		
Note payments		(103,334)
Bond payments		(145,940)

Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net assets of governmental activities	\$	98,852
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Notes to Basic Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Another element of that reconciliation states, "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." The details of this difference are as follows:

Compensated absences	\$	12,045
Accrued interest		(1,216)
<hr/>		
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities	\$	10,829
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NOTE 3 – BUDGETS

The City adopts budgets on a basis consistent with United States generally accepted accounting principles (U.S. GAAP) except as follows:

The City did not adopt a budget for the debt service fund. The debt service fund revenues and expenditures were budgeted indirectly as transfers to the debt service fund and interest expense in the general fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

All cash resources of the City are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year.

In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Investments

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation act of 1969; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; or direct obligations of the United States Treasury.

Notes to Basic Financial Statements

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

The credit risk of certain investments, such as investment pools managed by other outside parties, cannot be categorized as to credit risk other than as noted below because the City investments are not evidenced by specific, identifiable investment securities.

Interest Rate Risk

At September 30, 2010, the City did not hold any investments other than those disclosed below that were considered to be an interest rate risk.

Custodial Risk

At September 30, 2010, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2010, the City did not hold any investments that were considered to be a concentration of credit risk. At September 30, 2010, the City’s cash and investments consisted of the following:

	Credit Rating	Current	0-5 Years	5-10 Years	Total Carrying Amount
Cash	(1)	\$ 13,698,396	\$ -	\$ -	\$ 13,698,396
Local Govt Surplus Trust Fund Pool		40,308	-	-	40,308
Totals		\$ 13,738,704	\$ -	\$ -	\$ 13,738,704

(1) These funds are not rated. Investments in these funds are restricted to cash, short term obligations of the U.S. government and government backed securities.

Local Government Surplus Funds Trust Fund (Florida PRIME)

The Florida PRIME portion of the pool (\$2) is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

The Fund B portion (\$40,306) is accounted for as a fluctuating NAV pool.

Credit quality disclosure – Florida PRIME is rated by Standard and Poor’s. The current rating is AAAM. Fund B is not rated by any nationally recognized statistical rating agency.

Interest rate risk – The weighted average days to maturity of the Florida PRIME at September 30, 2010 was 52 days. The weighted average life of Fund B (based on expected future cash flows) at September 30, 2010 is estimated at 7.49 years. However because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

City of Lynn Haven, Florida

Notes to Basic Financial Statements

NOTE 5 – ACCOUNTS RECEIVABLE

At September 30, 2010, accounts receivable in the governmental funds is summarized as follows:

Total accounts receivable	\$	15,331
Less: allowance for doubtful accounts		-
Net accounts receivable	\$	15,331

At September 30, 2010, accounts receivable in the proprietary funds is summarized as follows:

Accounts receivable	\$	437,161
Assessments receivable		6,568
Less: allowance for doubtful accounts		-
Net accounts receivable	\$	443,729

NOTE 6 – CAPITAL ASSETS

Changes in capital assets of the governmental activities funds are summarized as follows:

	September 30, 2009	Increases	Decreases	September 30, 2010
Capital assets, not being depreciated				
Land	\$ 2,069,292	\$ 280,525	\$ -	\$ 2,349,817
Construction in progress	407,229	936,553	(380,270)	963,512
Total capital assets, not being depreciated	2,476,521	1,217,078	(380,270)	3,313,329
Capital assets, being depreciated				
Buildings	3,379,756	44,866	-	3,424,622
Improvements	12,801,161	519,947	-	13,321,108
Machinery and equipment	4,512,315	615,358	(179,478)	4,948,195
Total capital assets, being depreciated	20,693,232	1,180,171	(179,478)	21,693,925
Less accumulated depreciation				
Buildings	(889,338)	(69,738)	-	(959,076)
Improvements	(2,294,951)	(278,150)	-	(2,573,101)
Machinery and equipment	(3,869,566)	(252,692)	179,478	(3,942,780)
Total accumulated depreciation	(7,053,855)	(600,580)	179,478	(7,474,957)
Capital assets, being depreciated (net of accumulated depreciation)	13,639,377	579,591	-	14,218,968
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 16,115,898	\$ 1,796,669	\$ (380,270)	\$ 17,532,297

City of Lynn Haven, Florida

Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2010:

	Water	Sewer	Sanitation	Storm water	Total
Land	\$ 220,302	\$ 1,417,983	\$ -	\$ 13,000	\$ 1,651,285
Buildings	741,433	593,507	-	-	1,334,940
Improvements	10,492,639	27,088,859	-	1,985,671	39,567,169
Machinery and equipment	742,373	373,606	630,114	297,510	2,043,603
Vehicles	155,302	138,079	1,074,424	53,460	1,421,265
Construction in progress	98,524	480,193	-	129,258	707,975
Total	12,450,573	30,092,227	1,704,538	2,478,899	46,726,237
Less accumulated depreciation					
Buildings	(196,426)	(406,433)	-	-	(602,859)
Improvements	(2,441,202)	(8,880,539)	-	(170,765)	(11,492,506)
Machinery and equipment	(249,312)	(244,217)	(570,707)	(229,931)	(1,294,167)
Vehicles	(142,260)	(134,319)	(520,675)	(50,444)	(847,698)
Total accumulated Depreciation	(3,029,200)	(9,665,508)	(1,091,382)	(451,140)	(14,237,230)
Total business-type activities capital assets (net of accumulated depreciation)	\$ 9,421,373	\$ 20,426,719	\$ 613,156	\$ 2,027,759	\$ 32,489,007

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

	September 30, 2009	Increases	Decreases	Transfers	September 30, 2010
Capital assets, not being depreciated					
Land	\$ 1,601,285	\$ 50,000	\$ -	\$ -	\$ 1,651,285
Construction in progress	2,473,678	90,291	(1,855,994)	-	707,975
Total capital assets, not being depreciated	4,074,963	140,291	(1,855,994)	-	2,359,260
Capital assets, being depreciated					
Buildings	1,278,197	56,743	-	-	1,334,940
Improvements	35,065,106	4,520,663	-	(18,600)	39,567,169
Vehicles	1,464,598	107,845	(151,178)	-	1,421,265
Machinery and equipment	1,535,343	541,414	(51,754)	18,600	2,043,603
Total capital assets, being depreciated	39,343,244	5,226,665	(202,932)	-	44,366,977

City of Lynn Haven, Florida

Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	September 30, 2009	Increases	Decreases	Transfers	September 30, 2010
Less accumulated depreciation					
Buildings	\$ (566,450)	\$ (36,409)	\$ -	\$ -	\$ (602,859)
Improvements	(10,373,086)	(1,138,020)	-	18,600	(11,492,506)
Vehicles	(879,986)	(118,890)	151,178	-	(847,698)
Machinery and equipment	(1,211,223)	(113,222)	48,878	(18,600)	(1,294,167)
Total accumulated depreciation	(13,030,745)	(1,406,541)	200,056	-	(14,237,230)
Capital assets, being depreciated (net of accumulated depreciation)	26,312,499	3,820,124	(2,876)	-	30,129,747
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 30,387,462	\$ 3,960,415	\$ (1,858,870)	\$ -	\$ 32,489,007

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

Governmental activities		
Executive		\$ 20,399
Administration and finance		1,475
Development and planning		16,567
Public works		5,827
Other general government		99,319
Law enforcement		44,246
Fire protection		23,970
Streets		171,766
Fleet management		139,818
Library		25,595
Leisure services		49,481
Community redevelopment		2,117
Total depreciation expense – governmental activities		\$ 600,580
Business-type activities		
Water		\$ 360,043
Sewer		865,719
Sanitation		115,672
Storm water		65,107
Total depreciation expense – business-type activities		\$ 1,406,541

City of Lynn Haven, Florida

Notes to Basic Financial Statements

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2010 were as follows:

Transfers Out	Transfers In	Transfers Out	Transfers In
General fund	Debt service fund	\$ 402,226	\$ (402,226)
Water fund	Sewer fund	400,000	(400,000)
Sanitation fund	Stormwater fund	161,764	(161,764)
Total		\$ 963,990	\$ (963,990)

The transfers to the debt service fund were for the purpose of paying principal, interest and fiscal charges of the governmental type funds. The transfers to the sewer and storm water funds were for operating purposes.

NOTE 8 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
Revenue bonds payable	\$ 3,013,270	\$ -	\$ (145,940)	\$ 2,867,330	\$ 155,200
Notes payable	583,722	348,126	(103,334)	828,514	94,753
Accrued compensated absences	303,103	12,045	-	315,148	43,841
	\$ 3,900,095	\$ 360,171	\$ (249,274)	\$ 4,010,992	\$ 293,794

Sales Tax Revenue Refunding Bonds, Series 1997

On November 1, 1997, the City issued \$6,470,000 sales tax revenue refunding bonds, series 1997. The bonds were issued to (1) to refund the City's outstanding sales tax refunding revenue bonds, series 1988, outstanding in the aggregate principal amount of \$2,105,000, (2) to purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 1997 bonds, (3) to pay costs of certain street improvements, and (4) to pay related costs of issuance. The series 1997 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The interest rates are from 4.7 to 5.125% and the bonds mature December 2014. Annual principal and interest payments on the bonds are 18 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$854,467. Principal and interest paid for the current year and total pledged revenues were \$199,898 and \$1,098,873, respectively.

\$ 328,020

During the year ended September 30, 1988, the City entered into refunding transactions whereby refunding bonds have been issued to facilitate the retirement of the City's obligation with respect to certain bond issues already outstanding. A certain amount of series 1997 refunding bonds have been used to refund the series 1988. These proceeds have been deposited into an irrevocable escrow account to provide payment of interest and principal on the issue being refunded. Refunded bonds are not included in the City's outstanding long-term debt since the City legally satisfied its obligation with respect thereto through consumption of the refunding transaction described herein.

Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)

Gas Tax Revenue Refunding Bonds, Series 1998

On March 15, 1998, the City issued \$1,280,000 gas tax revenue refunding bonds, series 1998. The bonds were issued to (1) finance the refunding of the City's \$1,171,000 original principal amount gas tax revenue bonds, series 1990, the proceeds of which financed the construction, paving or other improvements to certain roads within the City, (2) purchase for deposit into the reserve account a surety bond in an amount equal to the reserve requirement of the series 1998 bonds, and (3) pay certain costs of issuance of the series 1998 bonds, including the costs of municipal bond insurance.

The series 1998 bonds and the interest thereon are payable solely from and secured by a pledge of and first lien on (1) the City's portion of the six-cent local option fuel tax and (2) until applied in accordance with the provisions of the resolution, any interest income in the funds and accounts established by the resolution. The interest rates are from 4.0 to 5.125% and the bonds mature October 2018. Annual principal and interest payments on the bonds are 39 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$821,218. Principal and interest paid for the current year and total pledged revenues were \$101,803 and \$258,283, respectively.

\$ 650,000

A portion of the proceeds from the series 1998 bonds have been placed in an irrevocable escrow account and invested in U.S. treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payment of interest and principal on the series 1990 gas tax revenue bonds. This refunded bond has not been included in the City's outstanding long-term debt since the City legally satisfied its obligation with respect thereto through consumption of the refunding transaction described herein.

Sales Tax Revenue Refunding Bonds, Series 2005

On June 1, 2005, the City issued \$4,565,000 sales tax revenue refunding bonds, series 2005. The bonds were issued to (1) to refund a portion of the City's outstanding \$6,470,000 sales tax revenue funding bonds, series 1997, (2) to purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 2005 bonds, (3) to pay related costs of issuance. The series 2005 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The interest rates are from 3.0 to 4.2% and the bonds mature December 2027. Annual principal and interest payments on the bonds are 19 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$6,514,438. Principal and interest paid for the current year and total pledged revenues were \$207,550 and \$1,098,873, respectively.

1,889,310

Total revenue bonds payable at September 30, 2010

2,867,330

Less: revenue bonds – current portion

(155,200)

Revenue bonds – long-term at September 30, 2010

\$ 2,712,130

City of Lynn Haven, Florida

Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)

Debt service requirements to maturity on revenue bonds payable at September 30, 2010 are as follows:

Year ending September 30,	Principal	Interest	Total
2011	\$ 155,200	\$ 125,332	\$ 280,532
2012	157,330	118,228	275,558
2013	166,590	110,588	277,178
2014	177,980	102,651	280,631
2015	187,240	94,665	281,905
2016-2020	838,710	349,267	1,187,977
2021-2025	694,380	178,080	872,460
2026-2028	489,900	31,864	521,764
Total	\$ 2,867,330	\$ 1,110,675	\$ 3,978,005

Notes Payable

In April 2010, the City borrowed \$348,126, to finance the purchase of a fire truck.

Yearly payments include interest at 3.35% and are due through September 2016. \$ 297,024

In January 2005, the City borrowed \$800,000 to finance the purchase of a building and property. Monthly payments include interest at 71% of the bank's prime lending rate and are due through June 2019. 531,490

Total notes payable at September 30, 2010 828,514

Less: current portion 94,753

Notes payable – long-term at September 30, 2010 \$ 733,761

Debt service requirements to maturity on notes payable at September 30, 2010 are as follows:

Year ending September 30,	Principal	Interest	Total
2011	\$ 94,753	\$ 39,278	\$ 134,031
2012	99,173	34,857	134,030
2013	103,814	30,217	134,031
2014	108,687	25,345	134,032
2015	113,804	20,228	134,032
2016-2019	308,283	30,332	338,615
Total	\$ 828,514	\$ 180,257	\$ 1,008,771

NOTE 9 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

	Balance September 30, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
Revenue bonds payable	\$ 21,671,730	\$ -	\$ (1,149,060)	\$ 20,522,670	\$ 1,189,800
Accrued compensated absences	59,538	10,294	-	69,832	10,475
	\$ 21,731,268	\$ 10,294	\$ (1,149,060)	\$ 20,592,502	\$ 1,200,275

Notes to Basic Financial Statements

NOTE 9 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Capital Improvement Revenue Refunding Bonds, Series 1997

On August 1, 1997, the City issued \$5,075,000 capital improvement revenue refunding bonds, series 1997. The bonds were issued to (1) refund the City's outstanding capital improvement revenue bonds, series 1989, outstanding in the amount of \$4,760,000, (2) to purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 1997 bonds, and (3) to pay related costs of issuance. The series 1997 bonds are secured by a pledge of the net revenues of the City's water system and sewer system, the sewer system development charges bond service component, and the water system development charges bond service component. The lien on the series 1997 bonds on the pledged revenues is on a parity with the lien of the remaining bonds outstanding of the City's \$5,745,000 capital improvement revenue bonds, series 1996A. The interest rates are from 3.7 to 5.0% and the bonds mature December 2019. Annual principal and interest payments on the bonds are 25 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,779,915. Principal and interest paid for the current year and total pledged revenues were \$377,715 and \$1,509,449, respectively.

\$ 2,915,000

Sales Tax Revenue Refunding Bonds, Series 1997

On November 1, 1997, the City issued \$6,470,000 sales tax revenue refunding bonds, series 1997. The bonds were issued to (1) to refund the City's outstanding sales tax refunding revenue bonds, series 1988, outstanding in the aggregate principal amount of \$2,105,000, (2) to purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 1997 bonds, (3) to pay costs of certain street improvements, and (4) to pay related costs of issuance. The series 1997 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The interest rates are from 4.7 to 5.125% and the bonds mature December 2014. Annual principal and interest payments on the bonds are 18 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$854,467. Principal and interest paid for the current year and total pledged revenues were \$199,898 and \$1,098,873, respectively.

441,980

During the year ended September 30, 1988, the City entered into refunding transactions whereby refunding bonds have been issued to facilitate the retirement of the City's obligation with respect to certain bond issues already outstanding. A certain amount of series 1997 refunding bonds have been used to refund the series 1988. These proceeds have been deposited into an irrevocable escrow account to provide payment of interest and principal on the issue being refunded. Refunded bonds are not included in the City's outstanding long-term debt since the City legally satisfied its obligation with respect thereto through consumption of the refunding transaction described herein.

Notes to Basic Financial Statements

NOTE 9 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Capital Improvement Revenue Bonds, Series 2000

On April 1, 2000, the City issued \$9,275,000 capital improvement revenue bonds, series 2000. The bonds were issued to (1) acquire and construct improvements to the City's water and sewer system, (2) deposit funds into the debt service fund to capitalize a portion of the interest on the bonds, (3) purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the bonds, and (4) pay the related costs of issuance. The series 2000 bonds are secured by a pledge of the net revenues of the system, the sewer system development charges bond service component and the water system development charges bond service component. The lien on the series 2000 bonds on the pledged revenues will be on a parity with the lien of the remaining bonds outstanding of the City's \$5,745,000 capital improvement revenue bonds, series 1996A, and the City's \$5,075,000 capital improvement revenue refunding bonds, series 1997. The interest rates are from 4.8 to 5.5% and the bonds mature December 2032. Annual principal and interest payments on the bonds are 13 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$194,750. Principal and interest paid for the current year and total pledged revenues were \$190,970 and \$1,509,449, respectively.

\$ 190,000

Capital Improvement Revenue Refunding Bonds, Series 2004

On April 1, 2004, the City issued \$4,605,000 capital improvement revenue refunding bonds, series 2004. The bonds were issued to (1) refund all of the City's outstanding \$5,475,000 capital improvement revenue bonds, series 1996A, (2) purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 2004 bonds and (3) pay related costs of issuance including the purchase of a municipal bond insurance policy. The series 2004 bonds are secured by a pledge of the net revenues of the system, the sewer system development charges bond service component and the water system development charges bond service component (collectively the "pledged revenues"). The lien on the series 2004 bond on the pledged revenues will be on a parity with the lien on the remaining bonds outstanding of the City's \$5,075,000 capital improvement revenue refunding bonds, series 1997 and the City's \$9,275,000 capital improvement revenue bonds, series 2000 (collectively, the "Parity Obligations"). The interest rates are from 2.0 to 4.0% and the bonds mature December 2016. Annual principal and interest payments on the bonds are 30 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,136,226. Principal and interest paid for the current year and total pledged revenues were \$447,383 and \$1,509,449 respectively.

2,755,000

Capital Improvement Revenue Refunding Bonds, Series 2005

On March 18, 2005, the City issued \$12,415,000 capital improvement revenue refunding bonds, series 2005. The bonds were issued to (1) refund a portion of the City's outstanding \$9,275,000 capital improvement revenue bonds, series 2000, (2) to fund certain capital improvements to the system, (3) purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 2005 bonds, and (4) pay related costs of issuance. The series 2005 bonds are secured by a pledge of the net revenues of the City's water system and sewer system, the sewer system development charges bond service component, and the water system development charges bond service component. The lien of the series

City of Lynn Haven, Florida

Notes to Basic Financial Statements

NOTE 9 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

2005 bonds on the pledged revenues is on a parity with the lien of the City's outstanding \$5,075,000 capital improvement revenues bonds, series 1997, the City's unrefunded \$9,275,000 capital improvement revenue bonds, series 2000 and the City's outstanding \$4,605,000 capital improvement revenue refunding bonds, series 2004. The interest rates are from 3.0 to 5.0% and the bonds mature December 2032. Annual principal and interest payments on the bonds are 52 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$17,538,285. Principal and interest paid for the current year and total pledged revenues were \$790,545 and \$1,509,449, respectively.

\$ 11,675,000

Sales Tax Revenue Refunding Bonds, Series 2005

On June 1, 2005, the City issued \$4,565,000 sales tax revenue refunding bonds, series 2005. the bonds were issued to (1) to refund a portion of the City's outstanding \$6,470,000 sales tax revenue funding bonds, series 1997, (2) to purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 2005 bonds, (3) to pay related costs of issuance. The series 2005 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The interest rates are from 3.0 to 4.2% and the bonds mature December 2027. Annual principal and interest payments on the bonds are 19 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$6,514,438. Principal and interest paid for the current year and total pledged revenues were \$207,550 and \$1,098,873, respectively.

2,545,690

Total principal obligation at September 30, 2010

20,522,670

Less: principal obligation – current portion

(1,189,800)

Principal obligation – long-term at September 30, 2010

\$ 19,332,870

Debt service requirements to maturity on revenue bonds payable at September 30, 2010 are as follows:

Year ending September 30,	Principal	Interest	Total
2011	\$ 1,189,800	\$ 865,774	\$ 2,055,574
2012	1,232,670	815,431	2,048,101
2013	1,283,410	762,326	2,045,736
2014	1,342,020	706,810	2,048,830
2015	1,392,760	651,627	2,044,387
2016-2020	6,486,290	2,385,433	8,871,723
2021-2025	2,850,620	1,381,066	4,231,686
2026-2030	3,035,100	712,425	3,747,525
2031-2033	1,710,000	120,290	1,830,290
Total	\$ 20,522,670	\$ 8,401,182	\$ 28,923,852

Notes to Basic Financial Statements

NOTE 10 – NET ASSET RESTRICTIONS

The government-wide statement of net assets reports \$4,058,897 of restricted net assets, of which \$2,570,455 is restricted by enabling legislation. The following is a description of reported net asset restrictions in governmental activities and business-type activities at September 30, 2010.

Governmental Activities

Restricted for law enforcement education - This restriction was created to restrict the use of all resources collected specifically for law enforcement purposes. Florida statutes restrict the use of these funds for education, training and capital purchase purposes.

Restricted for debt service - This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from the revenue accounts.

Restricted for community redevelopment – This restriction was created to restrict the use of funds provided for the City’s Community Redevelopment Agency. The funds are primarily provided from tax increment financing.

Restricted for capital repair and replacement - This restriction was established to restrict the use of impact fees collected in excess of qualified expenditures. An ordinance restricts the use of impact fees to certain capital expenditures, emergency repairs or other improvements.

Restricted for library - This restriction was established to restrict the use of library donations in excess of qualified expenditures. The donor restricted the purpose for which the donation could be expended to certain qualified capital expenditures.

Business-type Activities

Restricted for capital repair and replacement - This restriction was established to record water, sewer and storm water impact fees collected in excess of qualified expenditures. An ordinance restricts the use of impact fees to certain capital expenditures, emergency repairs or other improvements to the water, sewer and storm water systems.

Restricted for debt service - This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from the revenue accounts of the appropriate enterprise funds.

Summary

Specific restrictions of net assets are summarized below as of September 30, 2010:

Governmental activities	
Law enforcement education	\$ 6,283
Capital repair and replacement	880,104
Debt service	110,350
Library	50,000
Community redevelopment	1,140,189
Total	\$ 2,186,926

Notes to Basic Financial Statements

NOTE 10 – NET ASSET RESTRICTIONS (CONTINUED)

Business-type activities	
Capital repair and replacement	\$ 541,502
Debt service	1,328,092
Total	\$ 1,869,594

NOTE 11 – FUND BALANCE RESERVATIONS

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of fund balance set aside by the City for contingencies.

The following is a description of reported reserves in governmental activities at September 30, 2010:

General Fund

Reserved for inventory - This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

Reserved for law enforcement education - This reserve was created to reserve the use of all resources contributed specifically for law enforcement purposes. Florida statutes restrict the use of these funds for education and training purposes.

Reserved for impact fees - This reserve was established to reserve the use of impact fees collected in excess of qualified expenditures. An ordinance restricts the use of impact fees to certain capital expenditures, emergency repairs or other improvements

Reserved for library - This reserve was established to reserve the use of library donations in excess of qualified expenditures. The donor restricted the purpose for which the donation could be expended to certain qualified capital expenditures.

Summary

Specific reservations of fund balances are summarized below as of September 30, 2010:

Law enforcement education	\$ 6,283
Impact fees	880,104
Library	50,000
Inventory	39,552
Total	\$ 975,939

Notes to Basic Financial Statements

NOTE 12 – RETIREMENT PLANS

The City's pension plans are established by various City ordinances. According to these ordinances, the City maintains three separate single employer benefit pension plans which cover general employees, police officers and firefighters. The City's ordinances governing the firefighters' and police officers' plans were written in compliance with the provisions of Florida Statutes, Chapters 175 and 185, respectively.

Plan Description and Administration

The City's pension plans are single employer defined benefit pension plans administered by a board of trustees. The board of trustees consists of two City residents appointed by the Commission, two members of the plan elected by the plan membership, and one member elected by the other four members and appointed by the Commission.

Normal retirement for full-time general employees occurs at age 55 and completion of ten years of credited service. Members become vested 100% in their accrued benefit after ten years of credited service. Additional provisions for early retirement, delayed retirement, and disability benefits are described in City Ordinance 492. Retirement benefits are paid monthly equal to 3.0% of average final compensation times credited service.

All City full-time police officers and firefighters are eligible to participate in the system. Members qualify for normal retirement when they have obtained ten years of credited service and have reached the age of 55 or 25 years of service at any age. Retirement benefit payment is based on average final compensation times credited service. Benefits fully vest after ten years of credited service. Vested employees may retire before qualifying for normal retirement and receive reduced retirement benefits. The system also provides disability and survivor benefits. Benefits are paid monthly equal to 3.5% of average final compensation times credited service.

Funding Policy

Eligibility consists of all members of the system at the adoption date of the plan, May 14, 1991, for general employees and August 14, 1973, for police officers and firefighters, and all new City employees as a condition of employment.

Contribution Obligations

Members contribute five percent of their pretax earnings which are deposited monthly to the trust. The City contributes the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over thirty years. The State of Florida contributes any monies received by reason of the laws of the State for the purpose of funding and paying for retirement benefits.

The City made annual required contributions of \$159,114 to the firefighters plan, \$160,107 to the police officers plan, and \$644,131 to the general employees plan during the year ended September 30, 2010. The annual covered payroll for the year was \$699,324 for the firefighters, \$1,073,605 for the police officers, and \$3,161,268 for the general employees.

Notes to Basic Financial Statements

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Other donations, gifts and contributions from sources other than the City may be deposited to the fund. Such deposits, at the discretion of the board, may be accounted for separately and kept on a segregated bookkeeping basis. Funds arising from these sources may be used for additional benefits for members, as determined by the board.

Financial Report

A publicly available actuarial valuation on each plan that includes required financial information may be obtained by contacting the City of Lynn Haven, 825 Ohio Avenue, Lynn Haven, Florida 32444 or by calling (850) 265-2121.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
Police						
10/1/2010	\$4,552,818	\$4,718,819	\$166,001	96.48%	\$1,073,605	15.46%
10/1/2009	4,261,597	4,469,756	208,159	95.34%	1,007,880	20.65%
10/1/2008	3,954,920	4,134,243	179,323	95.66%	959,234	18.69%
Firefighters						
10/1/2010	3,167,414	3,231,699	64,285	98.01%	699,324	9.19%
10/1/2009	2,915,936	2,939,176	23,240	99.21%	680,452	3.42%
10/1/2008	2,636,204	2,635,569	-635	100.02%	725,336	-0.09%
General Employees						
10/1/2010	8,637,597	11,805,248	3,167,651	73.17%	3,161,268	100.20%
10/1/2009	7,860,208	11,113,243	3,253,035	70.73%	3,115,544	104.41%
10/1/2008	7,121,683	9,897,681	2,775,999	71.95%	3,096,226	89.66%

Notes to Basic Financial Statements

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Schedule of Contributions from Employer and Other Contributing Entities

Year Ended September 30,	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
Police				
2010	\$257,835	\$167,608	\$100,896	100.00%
2009	263,348	179,787	90,227	102.53%
2008	302,820	221,877	90,227	103.07%
Firefighters				
2010	199,950	159,114	116,598	100.63%
2009	180,044	138,131	42,089	100.10%
2008	159,278	117,398	42,089	100.13%
General Employees				
2010	645,933	645,933	-	100.00%
2009	595,970	596,862	-	100.15%
2008	546,656	551,554	-	100.90%

Three Year Trend Information

The City's annual pension cost, percentage of annual pension cost contributed, and net pension obligation for the pension plans for the three preceding years were as follows:

	For the Fiscal Year	Actuarially Determined Contribution	Percentage of Actuarial Determined Contribution	Net Pension Obligation
Police officers				
	9/30/2010	\$ 167,608	100%	\$ (19,930)
	9/30/2009	173,121	104%	(20,909)
	9/30/2008	212,593	104%	(14,401)
Firefighters				
	9/30/2010	157,861	101%	(1,943)
	9/30/2009	137,955	100%	(710)
	9/30/2008	117,189	100%	(540)
General employees				
	9/30/2010	645,933	100%	(10,834)
	9/30/2009	595,570	100%	(10,955)
	9/30/2008	546,656	101%	(10,175)

Notes to Basic Financial Statements

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Components of Net Pension Obligation

	Police	Firefighters	General Employees
Actuarially determined contribution (A)	\$ 167,608	\$ 157,861	\$ 645,933
Interest on NPO	(1,673)	(57)	(876)
Adjustment to (A)	2,652	77	997
Annual pension cost	168,587	157,881	646,054
Contributions made	167,608	159,114	645,933
Increase in NPO	979	(1,233)	121
NPO - beginning of year	(20,909)	(710)	(10,955)
NPO - end of year	\$ (19,930)	\$ (1,943)	\$ (10,834)

Annual Pension Costs and Related Information

	Police	Firefighters	General Employees
Required contribution rates as of 09/30/09			
City	15.40%	22.60%	19.80%
Plan members	5.00%	5.00%	5.00%
Actuarially determined contribution	167,608	157,861	645,933
Contributions made	167,608	159,114	645,933
Actuarial valuation date	10/1/2008	10/1/2008	10/1/2008
Actuarial cost method	Frozen entry age	Frozen entry age	Entry age normal
Amortization method	Level percentage of pay, closed	Level percentage of pay, closed	Level percentage of pay, closed
Remaining amortization period	20 years (as of 10/01/2010)	20 years (as of 10/01/2010)	24 years (as of 10/01/2010)
Asset valuation method	4 year smooth	4 year smooth	4 year smooth
Actuarial assumptions			
Investment rate of return	8.00%	8.00%	8.00%
Projected salary increase*	6.50%	6.50%	6.00%
* Includes inflation at	3.00%	3.00%	3.00%
Post retirement COLA	0.00%	0.00%	0.00%

Notes to Basic Financial Statements

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the City. Settled claims in the past three years have not exceeded the coverage.

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Effective for the year ended September 30, 2010, the City has implemented Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions for retiree health insurance. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for benefits of \$281,518 at transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of implementation.

Plan Description

The City has established the Retiree's Health Insurance Other Post Employment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These 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. The City currently has approximately 130 total active and retired employees eligible to receive these benefits. No stand alone report is issued for this plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the Florida Retirement System plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active employee immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the City of Lynn Haven's Commissioners. Currently, members receiving benefits pay the full cost (total premium) for medical coverage.

Notes to Basic Financial Statements

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The contribution rates effective for eligible City plan members during the year are shown below:

<u>Coverage</u>	<u>Annual Costs</u>
Retiree	\$ 707
Retiree and Spouse	1,568
Retiree & Children	1,304
Retiree and Family	2,184

The City has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the City provided contributions of \$11,172 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Annual OPEB Cost and Net OPEB Obligation

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

<u>Description</u>	
Annual required contribution	\$ 43,152
Amortization of unfunded actuarial accrued liability	-
Annual required contribution	43,152
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	43,152
Contribution toward the OPEB cost	11,172
Increase in net OPEB obligation	31,980
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ 31,980

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2010 was as follows:

<u>Year ending September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	\$ 43,152	26%	\$ 31,980

Funding Status and Funding Progress

The funding status and funding progress information can be found in the Schedule of Funding Progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Notes to Basic Financial Statements

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Methods and Assumptions

The City had an actuarial valuation completed for the fiscal year ended September 30, 2010. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB actuarial valuation method used for the City was the entry age normal actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the City employees. The valuation interest rate was 5%. The actuarial assumptions also include an annual healthcare inflation rate. For the City, this rate begins with an initial rate for 2009-10 fiscal year of 9% grading down to 5% in 2013. A payroll growth inflation assumption of 5% for general employees and 3% for police and fire employees was used. The unfunded actuarial accrued liability is being amortized with a level percentage of payroll closed amortization over 30 years.

Required Supplementary Information

City of Lynn Haven, Florida
 Required Supplementary Information
 September 30, 2010

Schedule of Funding Progress for the Retiree's Health Insurance Other Post Employment Benefits Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2007	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2008	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2009	\$ 0	\$ 281,518	\$ 281,518	0.0%	\$4,925,952	5.7%

Schedule of Employer Contributions for the Retiree's Health Insurance Other Post Employment Benefits Plan:

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2008	N/A	N/A	N/A
2009	N/A	N/A	N/A
2010	\$ 11,172	\$ 43,152	26%

Combining Statements

City of Lynn Haven, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2010

	Community Redevelopment	Debt Service	Other Governmental Funds Total
Assets			
Cash and cash equivalents	\$ 1,141,733	\$ 110,350	\$ 1,252,083
Total assets	\$ 1,141,733	\$ 110,350	\$ 1,252,083
Liabilities and fund balances			
Liabilities			
Accrued salaries	\$ 1,544	\$ -	\$ 1,544
Total liabilities	1,544	-	1,544
Fund balances			
Unreserved	1,140,189	110,350	1,250,539
Total fund balances	1,140,189	110,350	1,250,539
Total liabilities and fund balances	\$ 1,141,733	\$ 110,350	\$ 1,252,083

City of Lynn Haven, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30,2010

	Community Redevelopment	Debt Service	Other Governmental Funds Total
Revenues			
Taxes			
Property taxes	\$ 296,996	\$ -	\$ 296,996
Interest	3,114	356	3,470
Other fees and miscellaneous	401	-	401
Total revenues	300,511	356	300,867
Expenditures			
Current			
Development and planning	100,492	-	100,492
Capital Outlay	81,761	-	81,761
Debt service			
Principal	-	249,274	249,274
Interest and fiscal charges	-	150,639	150,639
Total expenditures	182,253	399,913	582,166
Excess (deficiency) of revenues over (under) expenditures	118,258	(399,557)	(281,299)
Other financing sources (uses)			
Transfers in	-	402,226	402,226
Net other financing sources (uses)	-	402,226	402,226
Net changes in fund balances	118,258	2,669	120,927
Fund balances - beginning	1,021,931	107,682	1,129,613
Fund balances - ending	\$ 1,140,189	\$ 110,351	\$ 1,250,540

City of Lynn Haven, Florida
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

	Firefighters Relief and Pension Trust Fund	Police Officers Pension Trust Fund	General Employees Pension Trust Fund	Total
Assets				
Investment savings	\$ 3,135,427	\$ 4,523,052	\$ 8,301,386	\$ 15,959,865
Contributions receivable	23,272	-	-	23,272
Total assets	3,158,699	4,523,052	8,301,386	15,983,137
Liabilities				
Total liabilities	-	-	-	-
Net assets				
Held in trust for pension benefits	\$ 3,158,699	\$ 4,523,052	\$ 8,301,386	\$ 15,983,137

City of Lynn Haven, Florida
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended September 30, 2010

	Firefighters Relief and Pension Trust Fund	Police Officers Pension Trust Fund	General Employees Pension Trust Fund	Total
Additions				
Contributions				
Employer	\$ 159,114	\$ 160,107	\$ 644,131	\$ 963,352
Plan members	35,202	51,983	164,088	251,273
State	116,598	100,896	-	217,494
Settlements	724	2,683	257	3,664
Total contributions	311,638	315,669	808,476	1,435,783
Investment income				
Net increase in fair value of investments	164,934	230,787	440,567	836,288
Interest	49,887	6	15	49,908
Dividends	38,588	113,200	205,148	356,936
	253,409	343,993	645,730	1,243,132
Less investment expenses				
Professional fees	42,633	34,388	25,852	102,873
Bank charges	8,174	3,121	4,768	16,063
Net investment earnings	202,602	306,484	612,204	1,121,290
Total additions	514,240	622,153	1,420,680	2,557,073
Deductions				
Benefits	10,925	31,240	134,936	177,101
Refunds of contributions	7,312	33,490	65,704	106,506
Total deductions	18,237	64,730	200,640	283,607
Change in net assets	496,003	557,423	1,220,040	2,273,466
Net assets held in trust for pension benefits				
Net assets - beginning	2,662,696	3,965,629	7,081,346	13,709,671
Net assets - ending	\$ 3,158,699	\$ 4,523,052	\$ 8,301,386	\$ 15,983,137

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and Members
of the City Commission
City of Lynn Haven, Florida

We have audited the financial statements of the City of Lynn Haven, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated February 2, 2011.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our independent auditor's report on internal control over financial reporting and compliance and other matters, independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated February 2, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Lynn Haven, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts, 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in

internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Lynn Haven, Florida, is incorporated under the provisions of the State of Florida (Laws of Florida, 1951, CH. 27685, Sec. 5). There is one component unit of the reporting entity as defined in publications cited in Rule 10.553. The Lynn Haven Community Redevelopment Agency is operated by the City. The Agency was created on May 25, 2004 by City Resolution 2004-05-350 pursuant to Florida Statute 163.387.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity 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 of Lynn Haven, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Lynn Haven, Florida for the fiscal year ended September 30, 2010, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(i)7.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 the same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the City of Lynn Haven, Florida's management, the City Commission, certain regulatory agencies, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

February 2, 2011

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

Honorable Mayor and Members
of the City Commission
City of Lynn Haven, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida as of and for the year ended September 30, 2010, which collectively comprise the City of Lynn Haven, Florida's basic financial statements and have issued our report thereon dated February 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lynn Haven, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Commission, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

February 2, 2011

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

Honorable Mayor and Members
of the City Commission
City of Lynn Haven, Florida

Compliance

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

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

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

Internal Control Over Compliance

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

accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lynn Haven, Florida's internal control over compliance.

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

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

This report is intended solely for the information and use of the management, the City Commission, and appropriate federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

February 2, 2011

City of Lynn Haven, Florida
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2010

Federal Awards Programs	CFDA No.	Contract/ Grant Number	Expenditures
U.S. Department of Justice			
Edward Byrnes Memorial Justice Assistance Grant - 2009	16.738	2009-DJ-BX-0655	\$ 12,123
ARRA - Edward Byrnes Memorial Justice Assistance Grant - 2009	16.804	2009-SB-B9-2656	40,239
Passed through the State of Florida Department of Law Enforcement			
Edward Byrnes Memorial Justice Assistance Grant - 2010	16.738	2010-JAGS-BAY-2-W2-011	23,994
Edward Byrnes Memorial Justice Assistance Grant - 2009	16.738	2009-JAGC-BAY-1-T7-045	1,199
ARRA - Edward Byrnes Memorial Justice Assistance Grant - 2010	16.803	2010-ARRC-BAY-1-W7-006	85,670
ARRA - Edward Byrnes Memorial Justice Assistance Grant - 2010	16.803	2010-ARRC-BAY-2-W7-060	89,516
Total U.S. Department of Justice			252,741
U.S. Department of Transportation Passed through the State of Florida Department of Transportation			
Highway Planning and Construction	20.205	425658-1-58-01	926,438
Total U.S. Department of Transportation			926,438
U.S. Department of Homeland Security Passed through the State of Florida Department of Community Affairs			
Repetitive Flood Claims	97.092	09-RF-41-08-62-02-072	9,879
Repetitive Flood Claims	97.092	09-RF-EO-01-13-02-076	14,000
Total U.S. Department of Homeland Security			23,879
Total expenditures of federal awards			\$ 1,203,058

Note:

(1) The schedule of expenditures of federal awards was prepared on the modified accrual basis of accrual basis of accounting.

City of Lynn Haven, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2010

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Awards/Financial Assistance Findings

There were no findings.

Section IV - Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to major federal programs.