

City of Lynn Haven, Florida

Financial Statements

September 30, 2015



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City of Lynn Haven, Florida
Table of Contents
September 30, 2015

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities	13
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Net Position – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	26
Notes to Basic Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress for the Retirees’ Health Insurance Other Postemployment Benefits Plan	63
Schedule of Employer Contributions for the Retirees’ Health Insurance Other Postemployment Benefits Plan	63
Schedule of Changes in Net Pension Liability and Related Ratios – General Employees’ Retirement System – Last Three Fiscal Years	64
Schedule of Contributions – General Employees’ Retirement System – Last Three Fiscal Years	65

City of Lynn Haven, Florida
Table of Contents
September 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule of Investment Returns – General Employees’ Retirement System –
Last Three Fiscal Years 67

Schedule of Changes in Net Pension Liability and Related Ratios –
Police Officers’ Retirement System – Last Three Fiscal Years 68

Schedule of Contributions – Police Officers’ Retirement System – Last Three Fiscal Years 69

Schedule of Investment Returns – Police Officers’ Retirement System – Last Three
Fiscal Years 71

Schedule of Changes in Net Pension Liability and Related Ratios –
Firefighters’ Retirement System – Last Three Fiscal Years 72

Schedule of Contributions – Firefighters’ Retirement System – Last Three Fiscal Years 73

Schedule of Investment Returns – Firefighters’ Retirement System – Last Three Fiscal Years 75

COMBINING STATEMENTS

Combining Balance Sheet – Nonmajor Governmental Funds 76

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds 77

Combining Statement of Fiduciary Net Position – Fiduciary Funds 78

Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds 79

COMPLIANCE SECTION

Independent Auditor’s Management Letter 80

Independent Accountant’s Report 82

Independent Auditor’s report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards* 83



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 15 to the financial statements, effective for the 2014-2015 fiscal year, implementation of Government Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*, and government Accounting Standards Board Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, resulted in a change in accounting principle. This matter affects the comparability of amounts reported for the 2014-2015 fiscal year with the amounts reported in previous years. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the schedule of funding progress for the retirees' health insurance other postemployment benefits plan and schedule of employer contributions for the retirees' health insurance other postemployment benefits plan on page 63, and the pension related statements on pages 64 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lynn Haven, Florida's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lynn Haven, Florida's internal control over financial reporting and compliance.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 31, 2016

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 \$47,787,221 (net position). Of this amount, \$806,205 is unrestricted net position of the governmental activities and \$8,033,595 is unrestricted net position of the business-type activities, while \$2,363,491 is restricted net position of the governmental activities and \$2,105,991 is restricted net position of the business-type activities. Total net position includes \$17,876,049 net investment in capital assets of the governmental activities and \$16,601,890 of the business-type activities.
- Total net position increased by \$1,562,417. Of this amount, \$176,622 is attributable to governmental activities and \$1,385,795 is attributable to business-type activities.
- As of September 30, 2015, the general fund's unassigned fund balance was \$1,622,547 or 17% of total general fund expenditures.
- Governmental activities revenues and transfers increased to \$11,042,126 or 7%, while governmental activities expenses decreased 1% to \$10,226,095. Business-type activities revenues and transfers increased to \$10,655,205 or 12%, while business-type activities expenditures increased 3% to \$8,231,502.

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 position* 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 position of governmental activities and business-type activities, as well as the change in net position. 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 position* presents information on all assets and liabilities of the City, with the difference between the two reported as *net position*. Assets, liabilities and net position are reported separately for

governmental activities and business-type activities. Increases or decreases in net position 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 position for the fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and 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).

Expenses 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 expenses 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 units: The City of Lynn Haven Redevelopment Agency and Lynn Haven Main Street, Inc. Financial information for these component units are 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 position, a statement of revenues, expenses and changes in net position, and a statement of cash flows are presented. A statement of fiduciary net position and a statement of changes in fiduciary net position 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

position, 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 position of the City. At the end of the fiscal years 2015 and 2014, the City is able to report positive balances in all three categories of net position, for the government as a whole, and for its governmental and business-type activities.

Net Position

September 30,	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other						
assets	\$ 4,708,567	\$ 3,407,895	\$ 11,858,733	\$ 9,436,331	\$ 16,567,300	\$ 12,844,226
Capital assets	20,197,981	20,547,204	33,928,541	32,093,458	54,126,522	52,640,662
Total assets	24,906,548	23,955,099	45,787,274	41,529,789	70,693,822	65,484,888
Deferred outflows						
of resources	1,426,765	-	899,831	517,780	2,326,596	517,780
Current liabilities	214,835	40,732	585,598	426,224	800,433	466,956
Noncurrent						
liabilities	4,664,992	3,045,244	19,241,799	16,265,664	23,906,791	19,310,908
Total liabilities	4,879,827	3,085,976	19,827,397	16,691,888	24,707,224	19,777,864
Deferred inflows						
of resources	407,741	-	118,232	-	525,973	-
Net position						
Net investment						
in capital assets	17,876,049	17,925,272	16,601,890	16,343,865	34,477,939	34,269,137
Restricted	2,363,491	2,234,580	2,105,991	2,043,241	4,469,482	4,277,821
Unrestricted	806,205	709,271	8,033,595	6,968,575	8,839,800	7,677,846
Total net position	\$ 21,045,745	\$ 20,869,123	\$ 26,741,476	\$ 25,355,681	\$ 47,787,221	\$ 46,224,804

Net 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 position (72%). 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 net 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 position*, representing 9% of the City's net position, is subject to external restrictions, and thus is limited as to how it may be used. The remaining balance of *unrestricted net position* (\$8,839,624) 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 position.

Changes in Net Position

Year Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues						
Charges for services	\$ 707,226	\$ 684,618	\$ 10,517,199	\$ 10,068,175	\$ 11,224,425	\$ 10,752,793
Operating						
grants/contributions	125,099	42,137	-	29,651	125,099	71,788
Capital						
grants/contributions	21,537	72,063	90,626	-	112,163	72,063
General revenues						
Gross receipts taxes	6,273,294	5,408,168	-	-	6,273,294	5,408,168
Utility taxes/franchise						
fees	3,466,224	3,166,717	-	-	3,466,224	3,166,717
Property taxes, CRA	298,303	220,020	-	-	298,303	220,020
Other	150,443	119,209	47,380	41,027	197,823	160,236
Transfers	-	600,000	-	(600,000)	-	-
Total revenues and transfers	11,042,126	10,312,932	10,655,205	9,538,853	21,697,331	19,851,785
Expenses						
General government	2,803,185	2,512,455	-	-	2,803,185	2,512,455
Public safety	4,416,862	4,716,783	-	-	4,416,862	4,716,783
Highways and streets	1,208,424	1,251,655	-	-	1,208,424	1,251,655
Culture/recreation	1,695,200	1,732,899	-	-	1,695,200	1,732,899
Interest on long-term						
debt	102,424	113,837	-	-	102,424	113,837
Water	-	-	2,635,517	2,648,623	2,635,517	2,648,623
Sewer	-	-	3,136,217	2,986,314	3,136,217	2,986,314
Sanitation	-	-	1,932,051	1,835,142	1,932,051	1,835,142
Storm water	-	-	527,717	539,357	527,717	539,357
Total expenses	10,226,095	10,327,629	8,231,502	8,009,436	18,457,597	18,337,065
Change in net position	\$ 816,031	\$ (14,697)	\$ 2,423,703	\$ 1,529,417	\$ 3,239,734	\$ 1,514,720

Governmental activities revenues exceeded expenditures by \$816,031, while business-type activities revenues exceeded expenses by \$2,423,703. Total revenues increased \$1,845,546 from the previous year. Revenues increased as a result of several factors. Charges for service revenues increased \$471,632, gross receipts taxes increased \$865,126, and utility taxes and franchise fees increased \$299,507. Total expenses only increased \$120,532 from the previous year. Governmental expenditures decreased \$101,534. General government expenditures increased \$290,730 while public safety expenditures decreased by \$299,921. Utility expenses increased \$222,066.

57% of the revenues for governmental activities were generated by gross receipts taxes, while most of the governmental resources were expended for public safety (43%), general government (27%), culture and recreation (17%), and highways and streets (12%) activities.

Charges for services provided substantially all of the revenues for business-type activities, while the sewer fund consumed 38% 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, 2015, total assets were \$3,633,887, and total liabilities were \$190,946. At the end of fiscal year 2015, unassigned fund balance of the general fund was \$1,622,547, while total fund balance equaled \$3,442,941.

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

Other Governmental Funds

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

The *Main Street Fund* is used by the City to account for the revenues and expenditures of the Main Street project to assist in revitalizing downtown Lynn Haven done through Lynn Haven Main Street, Inc., a not-for-profit organization. The budget was amended during the year to reflect decreases in anticipated revenues and expenditures which resulted from the decrease in available funds. This entity was dissolved as of September 30, 2015.

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 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. Each proprietary fund is reported as a major fund.

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

Fund	Unrestricted Net Position	
	2015	2014
<i>September 30,</i>		
Water	\$ 4,815,199	\$ 4,035,916
Sewer	784,005	307,787
Sanitation	2,489,035	2,578,456
Storm water	(54,644)	46,416
Total	\$ 8,033,595	\$ 6,968,575

The *Proprietary Funds* are used to account for the operations of the City's utility systems. Refer to the statement of net position – proprietary funds and the statement of revenues, expenses and changes in net position – 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, 2015, was \$54,126,522 (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:

- AWT filter replacements construction in progress at approximately 80% complete - \$2,187,412.
- 17th Street ditch segment piping - \$437,367.
- Porter Park sheet pile wall replacement construction in progress at approximately 60% complete - \$224,083.
- Cast iron water main replacement on Florida Avenue & Alley B from 8th to 12th Street - \$169,200.
- Purchase of a garbage truck - \$254,036.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<i>September 30,</i>						
Land	\$ 2,331,529	\$ 2,359,194	\$ 1,817,616	\$ 1,817,451	\$ 4,149,145	\$ 4,176,645
Construction in progress	250,919	-	4,622,186	1,812,750	4,873,105	1,812,750
Buildings	2,110,343	2,165,485	648,162	680,781	2,758,505	2,846,266
Improvements	14,614,325	14,979,320	25,538,587	26,603,077	40,152,912	41,582,397
Machinery and equipment	890,865	1,043,205	1,301,990	1,179,399	2,192,855	2,222,604
Total	\$ 20,197,981	\$ 20,547,204	\$ 33,928,541	\$ 32,093,458	\$ 54,126,522	\$ 52,640,662

Additional information on the City’s capital assets can be found in note 7: capital assets, of the notes to basic financial statements.

Debt Management

At the end of the current fiscal year, the City had total bond debt outstanding in the amount of \$19,349,641. This debt amount represents bonds secured solely by specified revenue sources.

Outstanding Bond Debt

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonds	\$ 2,022,990	\$ 2,210,230	\$ 17,326,651	\$ 15,749,593	\$ 19,349,641	\$ 17,959,823

Principal repayments during the year on bonds totaled \$3,795,182 and proceeds from bonds during the year totaled \$5,185,000. More detail on the City’s liabilities is presented in notes 9 and 10 of the notes to basic financial statements.

Economic Factors and Next Year’s Budget and Rates

After several consecutive years of decreases in total taxable value, FY 2015/2016 brings another increase. In conjunction with an increase last year in commercial and residential growth, indications are that this will continue into the upcoming year. As always, the challenge has been to adapt to these changes with innovation and stewardship. The City’s leadership recognizes and has embraced the critical role it must play in strategically planning to maintain services and infrastructure, providing for future projects, and being prepared for the unexpected. For the FY 2016/2017 budget, the ad valorem rate stayed the same at 3.9000. Some user fees were adjusted based on the annual change in the Consumer Price Index. Impact fees are currently being studied and will be modified to encourage growth.

At September 30, 2015, unassigned fund balance in the general fund was \$1,622,547. Continued financial monitoring enables the City to continue 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 expenditures as compared to 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 Position

Primary Government			
September 30, 2015	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,520,794	\$ 8,453,663	\$ 10,974,457
Accounts receivable, net	33,463	509,262	542,725
Notes receivable	-	11,363	11,363
Grants receivable	2,880	-	2,880
Prepaid expenses	299,129	41,283	340,412
Inventory	24,562	87,790	112,352
Temporarily restricted assets			
Cash and cash equivalents	1,620,050	2,515,991	4,136,041
Total current assets	4,500,878	11,619,352	16,120,230
Noncurrent assets			
Prepaid bond insurance	-	111,267	111,267
Notes receivable	-	128,114	128,114
Net pension asset	207,689	-	207,689
Capital assets			
Nondepreciable	2,582,448	6,439,802	9,022,250
Depreciable, net of accumulated depreciation	17,615,533	27,488,739	45,104,272
Total noncurrent assets	20,405,670	34,167,922	54,573,592
Deferred outflows of resources			
Deferred outflows related to pensions	1,426,765	438,648	1,865,413
Deferred loss on bond refunding	-	461,183	461,183
Total deferred outflows of resources	1,426,765	899,831	2,326,596
Total assets and deferred outflows of resources	26,333,313	46,687,105	73,020,418
Liabilities			
Current liabilities			
Accounts payable	62,675	146,580	209,255
Accrued expenses	128,474	6,123	134,597
Accrued interest	23,686	224,817	248,503
Unearned revenue	-	208,078	208,078
Total current liabilities	214,835	585,598	800,433

(Continued)

See accompanying notes.

City of Lynn Haven, Florida
Statement of Net Position (Continued)

September 30, 2015	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Customer deposits	\$ -	\$ 408,110	\$ 408,110
Due within one year			
Accrued compensated absences	41,730	12,324	54,054
Notes payable	116,259	-	116,259
Bonds payable	189,370	1,495,630	1,685,000
Due in more than one year			
Accrued compensated absences	256,338	69,843	326,181
Notes payable	182,683	-	182,683
Bonds payable, net of discount	1,833,620	15,831,021	17,664,641
Net pension liability	1,869,560	1,369,871	3,239,431
Other postemployment benefits	175,432	55,000	230,432
Total noncurrent liabilities	4,664,992	19,241,799	23,906,791
Deferred inflows of resources			
Deferred inflows related to pensions	407,741	118,232	525,973
Total deferred inflows of resources	407,741	118,232	525,973
Total liabilities and deferred inflows of resources	5,287,568	19,945,629	25,233,197
Net position			
Net investment in capital assets	17,876,049	16,601,890	34,477,939
Restricted			
Law enforcement education	5,714	-	5,714
Capital repair and replacement	1,491,165	284,478	1,775,643
Debt service	120,143	1,821,513	1,941,656
Community redevelopment	746,469	-	746,469
Unrestricted	806,205	8,033,595	8,839,800
Total net position	\$ 21,045,745	\$ 26,741,476	\$ 47,787,221

See accompanying notes.

City of Lynn Haven, Florida
Statement of Activities

Year Ended September 30, 2015	Net (Expenses) Revenues and Change in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Functions / Programs							
Primary government							
Governmental activities							
Legislative	\$ 93,432	\$ -	\$ -	\$ -	\$ (93,432)	\$ -	\$ (93,432)
Executive	457,192	-	-	-	(457,192)	-	(457,192)
Administration and finance	322,361	-	-	-	(322,361)	-	(322,361)
Professional services	347,135	-	-	-	(347,135)	-	(347,135)
Development and planning	534,366	241,625	-	-	(292,741)	-	(292,741)
Protective inspections	224,208	-	-	-	(224,208)	-	(224,208)
Public works	340,657	-	-	-	(340,657)	-	(340,657)
Other general government	708,042	85,811	124,339	-	(497,892)	-	(497,892)
Law enforcement	2,869,308	108,863	-	1,424	(2,759,021)	-	(2,759,021)
Fire protection	1,323,346	32,661	-	-	(1,290,685)	-	(1,290,685)
Streets	800,633	36,019	-	-	(764,614)	-	(764,614)
Fleet management	407,791	-	-	-	(407,791)	-	(407,791)
Library	247,420	4,713	760	1,381	(240,566)	-	(240,566)
Leisure services	1,447,780	197,534	-	18,732	(1,231,514)	-	(1,231,514)
Interest on long-term debt	102,424	-	-	-	(102,424)	-	(102,424)
Total governmental activities	10,226,095	707,226	125,099	21,537	(9,372,233)	-	(9,372,233)
Business-type activities							
Water	2,635,517	3,817,991	-	90,626	-	1,273,100	1,273,100
Sewer	3,136,217	3,624,139	-	-	-	487,922	487,922
Sanitation	1,932,051	2,580,097	-	-	-	648,046	648,046
Storm water	527,717	494,972	-	-	-	(32,745)	(32,745)
Total business-type activities	8,231,502	10,517,199	-	90,626	-	2,376,323	2,376,323
Total primary government	\$ 18,457,597	\$ 11,224,425	\$ 125,099	\$ 112,163	(9,372,233)	2,376,323	(6,995,910)

(Continued)

See accompanying notes.

City of Lynn Haven, Florida
Statement of Activities (Continued)

**Net (Expenses) Revenues and
Change in Net Position**

Primary Government

Year Ended September 30, 2015	Governmental Activities	Business-type Activities	Total
General revenues			
Taxes			
Gross receipts	\$ 6,273,294	\$ -	\$ 6,273,294
Utility taxes	2,094,815	-	2,094,815
Franchise fees	1,371,409	-	1,371,409
Property taxes	298,303	-	298,303
Rents	93,813	-	93,813
Miscellaneous	51,917	39,587	91,504
Total general revenues	10,183,551	39,587	10,223,138
Interest earnings	4,713	7,793	12,506
Total general revenues and interest	10,188,264	47,380	10,235,644
Change in net position	816,031	2,423,703	3,239,734
Net position - beginning (as originally stated)	20,869,123	25,355,681	46,224,804
Restatement adjustment	(639,409)	(1,037,908)	(1,677,317)
Net position - beginning (as restated)	20,229,714	24,317,773	44,547,487
Net position - ending	\$ 21,045,745	\$ 26,741,476	\$ 47,787,221

See accompanying notes.

City of Lynn Haven, Florida
Balance Sheet – Governmental Funds

September 30, 2015	General Fund	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 1,774,122	\$ 746,672	\$ 2,520,794
Accounts receivable, net	33,463	-	33,463
Grants receivable	2,880	-	2,880
Prepays	298,953	176	299,129
Inventory	24,562	-	24,562
Cash and cash equivalents - restricted	1,499,907	120,143	1,620,050
Total assets	\$ 3,633,887	\$ 866,991	4,500,878
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 62,675	\$ -	62,675
Accrued expenditures	128,271	203	128,474
Total liabilities	190,946	203	191,149
Fund balances			
Nonspendable			
Inventory	24,562	-	24,562
Prepays	298,953	176	299,129
Restricted			
Law enforcement education	5,714	-	5,714
Capital repair and replacement	1,491,165	-	1,491,165
Community Redevelopment fund	-	746,469	746,469
Debt service fund	-	120,143	120,143
Unassigned			
General fund	1,622,547	-	1,622,547
Total fund balances	3,442,941	866,788	4,309,729
Total liabilities and fund balances	\$ 3,633,887	\$ 866,991	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital asset used in governmental activities, net pension assets, and deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.			21,832,435
Long-term liabilities, including bonds payable, and related deferred inflows of resources are not due and payable in the current period and, therefore, in the funds.			(5,096,419)
Net position of governmental activities			\$ 21,045,745

See accompanying notes.

City of Lynn Haven, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

Year Ended September 30, 2015	General Fund	Other Governmental Funds	Total
Revenues			
Taxes			
Gross receipts	\$ 1,003,699	\$ -	\$ 1,003,699
Utility	1,429,327	-	1,429,327
Property taxes	3,622,960	298,303	3,921,263
Intergovernmental	2,407,123	-	2,407,123
Licenses and permits	1,700,439	-	1,700,439
Fines and forfeitures	41,098	-	41,098
Charges for services	326,816	-	326,816
Contributions and donations	28,040	-	28,040
Grants	23,596	-	23,596
Interest	4,180	533	4,713
Other fees and miscellaneous	178,142	5,370	183,512
Total revenues	10,765,420	304,206	11,069,626
Expenditures			
Current			
Legislative	93,432	-	93,432
Executive	420,266	-	420,266
Administration and finance	292,742	-	292,742
Professional services	347,135	-	347,135
Development and planning	252,381	230,303	482,684
Protective inspections	227,687	-	227,687
Public works	329,607	-	329,607
Other general government	540,076	-	540,076
Law enforcement	2,738,574	-	2,738,574
Fire protection	1,337,611	-	1,337,611
Streets	549,680	-	549,680
Fleet management	232,636	-	232,636
Library	206,584	-	206,584
Leisure services	1,404,797	-	1,404,797
Capital outlay	544,811	-	544,811
Debt service			
Principal	-	300,000	300,000
Interest and fiscal charges	929	102,733	103,662
Total expenditures	9,518,948	633,036	10,151,984
Excess (deficit) of revenues over (under) expenditures	1,246,472	(328,830)	917,642
Other financing sources (uses)			
Transfers in	-	531,295	531,295
Transfers out	(403,272)	(128,023)	(531,295)
Total other financing sources (uses)	(403,272)	403,272	-
Net changes in fund balances	843,200	74,442	917,642
Fund balances - beginning	2,599,741	792,346	3,392,087
Fund balances - ending	\$ 3,442,941	\$ 866,788	\$ 4,309,729

See accompanying notes.

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, 2015

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

Net changes in fund balances - total governmental funds (page 16) \$ 917,642

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 depreciation exceeded capital outlay in the current period. (321,558)

The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments and donations) is to decrease net position. (27,665)

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 position. 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. 300,000

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 (i.e. compensated absences, net pension liabilities, and other postemployment benefits). (52,388)

Change in net position of governmental activities (page 14) \$ 816,031

See accompanying notes.

City of Lynn Haven, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – General Fund

Year Ended September 30, 2015	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Gross receipts	\$ 946,827	\$ 1,003,699	\$ 1,003,699	\$ -
Utility taxes	1,210,000	1,429,327	1,429,327	-
Property taxes	3,564,000	3,622,960	3,622,960	-
Intergovernmental	2,152,181	2,407,123	2,407,123	-
Licenses and permits	1,447,590	1,700,439	1,700,439	-
Fines and forfeitures	15,000	41,098	41,098	-
Charges for services	258,971	326,816	326,816	-
Contributions and donations	10,600	28,040	28,040	-
Grants	1,097	23,596	23,596	-
Interest	1,800	4,180	4,180	-
Other fees and miscellaneous	124,299	178,142	178,142	-
Total revenues	9,732,365	10,765,420	10,765,420	-
Expenditures				
Current				
Legislative	86,441	93,432	93,432	-
Executive	363,356	420,266	420,266	-
Administration and finance	295,429	292,742	292,742	-
Professional services	347,819	347,135	347,135	-
Development and planning	221,128	252,381	252,381	-
Protective inspections	319,237	227,687	227,687	-
Public works	331,671	329,607	329,607	-
Other general government	498,395	540,076	540,076	-
Law enforcement	3,180,764	2,738,574	2,738,574	-
Fire protection	1,371,835	1,337,611	1,337,611	-
Streets	591,596	549,680	549,680	-
Fleet management	217,020	232,636	232,636	-
Library	208,789	206,584	206,584	-
Leisure services	1,444,564	1,404,797	1,404,797	-
Capital outlay	579,400	544,811	544,811	-
Debt Service				
Interest and fiscal charges	950	929	929	-
Total expenditures	10,058,394	9,518,948	9,518,948	-
Excess (deficit) of revenues over (under) expenditures	(326,029)	1,246,472	1,246,472	-
Other financing sources (uses)				
Transfers in	798,300	-	-	-
Transfers out	(403,271)	(403,272)	(403,272)	-
Total other financing sources (uses)	395,029	(403,272)	(403,272)	-
Net changes in fund balances	69,000	843,200	843,200	-
Fund balances - beginning	2,599,741	2,599,741	2,599,741	-
Fund balances - ending	\$ 2,668,741	\$ 3,442,941	\$ 3,442,941	\$ -

See accompanying notes.

City of Lynn Haven, Florida
Statement of Net Position – Proprietary Funds

Business-type Activities / Enterprise Funds

September 30, 2015	Water	Sewer	Sanitation	Storm water	Total
Assets					
Current assets					
Equity in pooled cash	\$ 4,871,238	\$ 872,145	\$ 2,614,620	\$ 95,660	\$ 8,453,663
Accounts receivable, net	183,437	176,684	127,175	21,966	509,262
Notes receivable	-	8,043	-	3,320	11,363
Prepaid expenses	9,749	5,267	16,413	9,854	41,283
Inventory	87,790	-	-	-	87,790
Restricted assets - investment savings	907,358	1,482,573	-	126,060	2,515,991
Total current assets	6,059,572	2,544,712	2,758,208	256,860	11,619,352
Noncurrent assets					
Notes receivable	-	128,114	-	-	128,114
Prepaid bond insurance	37,126	74,141	-	-	111,267
Capital assets					
Land	220,302	1,584,314	-	13,000	1,817,616
Buildings	870,227	564,764	-	-	1,434,991
Vehicles	207,327	147,788	1,140,844	53,460	1,549,419
Improvements	11,855,451	27,420,848	-	3,658,465	42,934,764
Machinery and equipment	1,201,836	931,804	400,478	302,078	2,836,196
Construction in progress	1,246,606	2,914,116	-	461,464	4,622,186
Total capital assets	15,601,749	33,563,634	1,541,322	4,488,467	55,195,172
Less accumulated depreciation	5,256,570	13,954,238	1,078,737	977,086	21,266,631
Net capital assets	10,345,179	19,609,396	462,585	3,511,381	33,928,541
Total noncurrent assets	10,382,305	19,811,651	462,585	3,511,381	34,167,922
Deferred outflows of resources					
Deferred outflows related to pension	186,033	113,563	97,490	41,562	438,648
Deferred loss on bond refunding	211,983	249,200	-	-	461,183
Total deferred outflows of resources	398,016	362,763	97,490	41,562	899,831
Total assets and deferred outflows of resources	16,839,893	22,719,126	3,318,283	3,809,803	46,687,105

(Continued)

See accompanying notes.

City of Lynn Haven, Florida
Statement of Net Position – Proprietary Funds (Continued)

Business-type Activities / Enterprise Funds					
September 30, 2015	Water	Sewer	Sanitation	Storm water	Total
Liabilities					
Current liabilities					
Accounts payable	\$ 2,628	\$ 65,749	\$ 5,064	\$ 73,139	\$ 146,580
Accrued expenses	3,816	907	878	522	6,123
Accrued interest	68,551	156,266	-	-	224,817
Unearned revenue	-	208,078	-	-	208,078
Total current liabilities	74,995	431,000	5,942	73,661	585,598
Noncurrent liabilities					
Customer deposits	408,110	-	-	-	408,110
Due within one year					
Accrued compensated absences	7,113	1,964	2,582	665	12,324
Bonds payable	344,895	1,150,735	-	-	1,495,630
Due in more than one year					
Accrued compensated absences	40,310	11,132	14,633	3,768	69,843
Bonds payable, net of discount	4,748,666	11,082,355	-	-	15,831,021
Net pension liability	580,970	354,650	304,456	129,795	1,369,871
Other postemployment benefits	20,516	13,797	12,773	7,914	55,000
Total noncurrent liabilities	6,150,580	12,614,633	334,444	142,142	19,241,799
Deferred inflows of resources					
Deferred inflows related to pension	50,143	30,609	26,277	11,203	118,232
Total deferred inflows of resources	50,143	30,609	26,277	11,203	118,232
Total liabilities and deferred inflows of resources	6,275,718	13,076,242	366,663	227,006	19,945,629
Net position					
Net investment in capital assets	5,251,618	7,376,306	462,585	3,511,381	16,601,890
Restricted					
Capital repair and replacement	139,511	18,907	-	126,060	284,478
Debt service	357,847	1,463,666	-	-	1,821,513
Unrestricted	4,815,199	784,005	2,489,035	(54,644)	8,033,595
Total net position	\$ 10,564,175	\$ 9,642,884	\$ 2,951,620	\$ 3,582,797	\$ 26,741,476

See accompanying notes.

City of Lynn Haven, Florida
Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds

Business-type Activities / Enterprise Funds

Year Ended September 30, 2015	Water	Sewer	Sanitation	Storm water	Total
Operating revenues					
Charges for services	\$ 3,380,495	\$ 3,190,852	\$ 2,580,097	\$ 415,125	\$ 9,566,569
Grants and contributions	90,626	-	-	-	90,626
Connection/reconnection fees	168,048	-	-	-	168,048
Delinquent penalties	163,527	-	-	-	163,527
Impact fees	73,395	422,962	-	79,847	576,204
Tap fees	32,526	10,325	-	-	42,851
Total operating revenues	3,908,617	3,624,139	2,580,097	494,972	10,607,825
Operating expenses					
Salaries	620,323	361,433	356,321	207,450	1,545,527
Payroll taxes	40,268	25,669	22,341	14,113	102,391
Pension benefit	157,969	96,431	82,784	35,292	372,476
Employee insurance	109,894	30,313	82,879	36,373	259,459
Other postemployment benefit	4,501	2,482	2,561	1,525	11,069
Workers' compensation insurance	20,369	9,358	32,409	17,614	79,750
Total personnel expenses	953,324	525,686	579,295	312,367	2,370,672
Utilities	132,230	361,209	117	280	493,836
Miscellaneous	3,696	-	-	-	3,696
Fuel and oil	20,443	12,125	64,944	9,639	107,151
Chlorine and chemicals	24,876	111,121	-	-	135,997
Depreciation	480,870	882,894	81,748	121,581	1,567,093
Repairs and maintenance	41,725	90,014	106,622	15,570	253,931
Professional services	27,112	65,740	-	3,900	96,752
Contractual services	360,672	309,597	757,988	-	1,428,257
Communications	7,721	3,422	572	-	11,715
Uniform rental	5,065	6,223	4,369	2,634	18,291
Dues and subscriptions	2,700	-	-	-	2,700
Training	3,126	2,353	-	-	5,479
Rentals and leases	1,200	10,611	-	1,754	13,565
Operating supplies	212,203	70,362	4,509	58,630	345,704
Office supplies	9,857	-	-	-	9,857
Tipping fees	-	-	308,237	-	308,237
Postage and courier	45,298	2,212	-	-	47,510
Insurance	-	7,773	-	-	7,773
Loss on disposition of assets	-	-	15,953	-	15,953
Bad debts	11,374	11,217	7,697	1,362	31,650
Total operating expenses	2,343,492	2,472,559	1,932,051	527,717	7,275,819
Operating income (loss)	1,565,125	1,151,580	648,046	(32,745)	3,332,006

(Continued)

See accompanying notes.

City of Lynn Haven, Florida
Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds (Continued)

Business-type Activities / Enterprise Funds					
Year Ended September 30, 2015	Water	Sewer	Sanitation	Storm water	Total
Nonoperating revenues (expenses)					
Miscellaneous	\$ 37,693	\$ 1,893	\$ -	\$ 1	\$ 39,587
Interest revenue	1,768	4,914	1,011	100	7,793
Interest and amortization	(292,025)	(663,658)	-	-	(955,683)
Total nonoperating revenues (expenses)	(252,564)	(656,851)	1,011	101	(908,303)
Net income (loss) before transfers	1,312,561	494,729	649,057	(32,644)	2,423,703
Transfers in (out)	-	-	(345,812)	345,812	-
Changes in net position	1,312,561	494,729	303,245	313,168	2,423,703
Total net position - beginning (as originally stated)	9,691,797	9,416,862	2,879,051	3,367,971	25,355,681
Restatement adjustment	(440,183)	(268,707)	(230,676)	(98,342)	(1,037,908)
Total net position - beginning (as restated)	9,251,614	9,148,155	2,648,375	3,269,629	24,317,773
Total net position - ending	\$ 10,564,175	\$ 9,642,884	\$ 2,951,620	\$ 3,582,797	\$ 26,741,476

See accompanying notes.

City of Lynn Haven, Florida
Statement of Cash Flows – Proprietary Funds

	Business-type Activities / Enterprise Funds				
Year Ended September 30, 2015	Water	Sewer	Sanitation	Storm water	Total
Operating activities					
Receipts from customers and users	\$ 3,908,880	\$ 3,627,328	\$ 2,568,462	\$ 489,855	\$ 10,594,525
Payments to suppliers and others	(935,684)	(978,933)	(1,282,357)	(30,536)	(3,227,510)
Payments for personnel services	(930,043)	(525,686)	(571,291)	(311,706)	(2,338,726)
Net cash provided by operating activities	2,043,153	2,122,709	714,814	147,613	5,028,289
Noncapital financing activities					
Miscellaneous receipts	37,693	1,893	-	1	39,587
Payments (to)/from other funds	-	-	(345,812)	345,812	-
Net cash provided by (used for) noncapital financing activities	37,693	1,893	(345,812)	345,813	39,587
Capital and related financing activities					
Acquisition of capital assets	(301,537)	(2,419,536)	(243,738)	(437,366)	(3,402,177)
Proceeds from bonds	1,235,000	3,950,000	-	-	5,185,000
Principal paid on bonds	(1,495,954)	(2,111,988)	-	-	(3,607,942)
Interest paid on bonds	(299,975)	(647,564)	-	-	(947,539)
Net cash used for capital and related financing activities	(862,466)	(1,229,088)	(243,738)	(437,366)	(2,772,658)
Investing activities					
Interest received	1,768	4,914	1,011	100	7,793
Net cash provided by investing activities	1,768	4,914	1,011	100	7,793
Net increase (decrease) in cash and cash equivalents	1,220,148	900,428	126,275	56,160	2,303,011
Cash and cash equivalents - beginning	4,558,448	1,454,290	2,488,345	165,560	8,666,643
Cash and cash equivalents - ending	\$ 5,778,596	\$ 2,354,718	\$ 2,614,620	\$ 221,720	\$ 10,969,654
Classified as cash					
Unrestricted	\$ 4,871,238	\$ 872,145	\$ 2,614,620	\$ 95,660	\$ 8,453,663
Investment savings	907,358	1,482,573	-	126,060	2,515,991
Cash and cash equivalents - ending	\$ 5,778,596	\$ 2,354,718	\$ 2,614,620	\$ 221,720	\$ 10,969,654

(Continued)

See accompanying notes.

City of Lynn Haven, Florida
Statement of Cash Flows – Proprietary Funds (Continued)

Business-type Activities / Enterprise Funds					
Year Ended September 30, 2015	Water	Sewer	Sanitation	Storm water	Total
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 1,565,125	\$ 1,151,580	\$ 648,046	\$ (32,745)	\$ 3,332,006
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	480,870	882,894	81,748	121,581	1,567,093
(Increase) decrease in assets and deferred outflows of resources					
Accounts receivable, net	(14,667)	(19,382)	(11,635)	(1,797)	(47,481)
Notes receivable	-	22,571	-	(3,320)	19,251
Prepaid expenses	(9,749)	(5,267)	(16,413)	(9,854)	(41,283)
Prepaid bond insurance	(12,354)	(18,959)	-	-	(31,313)
Inventory	(18,565)	-	-	-	(18,565)
Deferred outflows related to pension	(186,033)	(113,563)	(97,490)	(41,562)	(438,648)
Deferred loss on bond refunding	12,348	44,249	-	-	56,597
Increase (decrease) in liabilities and deferred inflows of resources					
Accounts payable	1,934	65,023	5,064	73,087	145,108
Accrued expenses	3,816	907	878	522	6,123
Customer deposits	14,930	-	-	-	14,930
Accrued compensated absences	10,067	(6,378)	1,998	(2,480)	3,207
Net pension liability	154,304	94,194	80,863	34,473	363,834
Other postemployment benefits	4,501	2,482	2,561	1,525	11,069
Deferred inflows related to pension	36,626	22,358	19,194	8,183	86,361
Net cash provided by operating activities	\$ 2,043,153	\$ 2,122,709	\$ 714,814	\$ 147,613	\$ 5,028,289

See accompanying notes.

City of Lynn Haven, Florida
Statement of Fiduciary Net Position – Fiduciary Funds

September 30, 2015	Pension Trust Funds
Assets	
Investment savings	\$ 27,036,727
Interest receivable	54,426
Contributions receivable	215,266
Total assets	27,306,419
Liabilities	
Prepaid city contributions	85,766
Total liabilities	85,766
Net position	
Held in trust for pension benefits	\$ 27,220,653

See accompanying notes.

City of Lynn Haven, Florida
Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended September 30, 2015	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 1,205,445
Plan members	268,547
State	215,266
Settlements	89
Total contributions	1,689,347
Investment earnings	
Interest	91,925
Dividends	518,280
Miscellaneous	200
Net decrease in fair value of investments	(672,686)
Total investment earnings	(62,281)
Less investment expenses	(159,227)
Net investment earnings	(221,508)
Total additions	1,467,839
Deductions	
Benefits	1,330,456
Refunds of contributions	122,263
Total deductions	1,452,719
Change in net position	15,120
Net position - beginning	27,205,533
Net position - ending	\$ 27,220,653

See accompanying notes.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lynn Haven (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 Units – Lynn Haven CRA and Lynn Haven Main Street, Inc.

This report includes financial statements of the funds of the City. The reporting entity for the City consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government (see note below for description). Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The City has two component units as defined by GASB Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which are required to be included in these financial statements.

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's governing body is the same as the

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

governing body of the City and the Agency provides services specifically to the City. The Agency is presented as a governmental fund type with a fiscal year end of September 30.

Lynn Haven Main Street, Inc. (Organization) is operated by a separate nonprofit corporation. The Organization was approved July 27, 2010, by City Resolution 2010-07-506 pursuant to Florida Statute 617.0302. It was created after the City was formally accepted as a participant in the Florida Main Street program. The Organization appoints the Board members after approval by the City. The City approves the Organization's budget. The Organization is presented as a governmental fund type with a fiscal year end of September 30. This organization was dissolved as of September 30, 2015.

Due to the nature and significance of the Agency's relationship with the City and the Organization's relationship with the City, exclusion of the financial operations of these two entities would render the City's financial statements incomplete or misleading. The entities are disclosed using the blended presentation method. Complete financial statements for the Lynn Haven Community Redevelopment Agency and Lynn Haven Main Street, Inc. may be obtained from the City of Lynn Haven Finance Department, 825 Ohio Avenue, Lynn Haven, Florida 32444.

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 basic 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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position.

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, Main Street and the debt service funds.

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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position.

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement 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.

The City has adopted the reporting required by *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investments, including investments in the City's fiduciary funds are recorded at fair value based on quoted market values.

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 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 net realizable value.

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

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year with a threshold of \$250 for library books, a threshold of \$1,000 for equipment, and a threshold of \$100,000 for buildings and infrastructure, and all land and land improvements in accordance with state policy. 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

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.

Gains and losses on refunding are deferred and amortized over the life of the bonds using the effective straight-line method. Bond issuance costs are expensed during the current period.

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.

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, 2015, the City capitalized no interest.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenues

Unearned revenues reported in government-wide financial statements represent revenues received in advance. Revenues will be recognized as earned revenue in the fiscal year they are earned in accordance with the accrual basis of accounting.

Fund balances

The City has implemented GASB Statement 54 employing the following terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not spendable form or are legally or contractually required to be maintained intact. The balance as of September 30, 2015 of \$323,691 is from prepaids and inventory which are not in spendable form.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provision, or enabling legislation. The balance as of September 30, 2015 of \$2,363,491 is restricted by creditors for repayment of debt issued, enabling legislation, and donor restrictions.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the City Commissioners. There are no committed funds as of September 30, 2015.

Assigned – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There are no assigned funds as of September 30, 2015.

Unassigned – This category is the residual classification for the City's fund balances. The balance as of September 30, 2015 is \$1,622,547.

Deferred outflows, deferred inflows, and net position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renames the components of net position which were previously considered net assets.

Net position is classified in three categories. The general meaning of each is as follows:

Net investment in capital assets - represents the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Unrestricted - indicates that portion of net position that is available for future periods.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows or resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position and the statement of net position for proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred change related to the net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has one item that qualifies for reporting in this category. This is the deferred change related to the net pension liability.

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 externally restricted resources first, then unrestricted resources (committed, assigned, and unassigned) in order as 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 mills for general operations. The City's millage rate for the year ended September 30, 2015, was 3.9000 mills.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Management of the City has evaluated subsequent events through March 31, 2016, the date the financial statements were available to be 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 position:

When capital assets (property, leasehold improvements and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes capital assets of the City as a whole.

Cost of capital assets	\$ 30,735,031
Less: accumulated depreciation	10,537,050
<hr/>	
Net adjustment to increase fund balances - total governmental funds to arrive at net position of governmental activities	\$ 20,197,981
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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)

Long-term liabilities applicable to the City's governmental activities are not reported as fund liabilities. All liabilities are reported in the statement of net position.

Bonds payable	\$ 2,022,990
Notes payable	298,942
Compensated absences	298,068
Net pension asset	(207,689)
Net pension liability	1,869,560
Other postemployment benefits	175,432
Accrued interest	23,686
<hr/>	
Net adjustment to reduce fund balances - total governmental funds to arrive at net position of governmental activities	\$ 4,480,989
<hr/>	

Deferred inflows and outflows related to the net pension liabilities applicable to the City's governmental activities are not reported as fund assets and liabilities. All assets and liabilities are reported in the statement of net position.

Deferred outflows in resources	\$ 1,426,765
Deferred inflows in resources	(407,741)
<hr/>	
Net adjustment to increase fund balances - total governmental funds to arrive at net position of governmental activities	\$ 1,019,024
<hr/>	

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 position of governmental activities as reported in the government-wide statement of activities. One of those reconciliation elements is 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. The details of this difference are as follows:

Capital outlay	\$ 544,811
Depreciation	(866,369)
<hr/>	
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net position of governmental activities	\$ (321,558)
<hr/>	

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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this difference is as follows:

Principal repayments	
Note payments	\$ 112,760
Bond payments	187,240
<hr/>	
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net position of governmental activities	\$ 300,000
<hr/>	

Another element of that reconciliation is 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 (i.e. compensated absences and amortization of bond discounts). The detail of this difference is as follows:

Compensated absences	\$ (16,839)
Deferred outflows of resources	1,426,765
Deferred inflows of reserouces	(214,510)
Net pension asset	207,689
Net pension liability	(1,423,382)
Other postemployment benefits	(33,349)
Accrued interest	1,238
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ (52,388)
<hr/>	

Another element of that reconciliation is the net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to decrease net position. The details of this difference are as follows:

Loss on sale of assets	\$ (27,665)
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ (27,665)
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City of Lynn Haven, Florida Notes to Basic Financial Statements

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 prorata 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, as provided in s. 163.01.
- 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 as defined in s. 280.02.
- Direct obligations of the United States Treasury.

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, 2015, the City did not hold any investments other than those disclosed below that were considered to be an interest rate risk.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Risk

At September 30, 2015, the City did not hold any deposits or investments that were considered to be a custodial risk.

NOTE 5: ACCOUNTS RECEIVABLE

The City accrues general fund receivables based on actual receipts after year end. As a result, no allowance for doubtful accounts is recorded. At September 30, 2015, accounts receivable in the governmental funds is summarized as follows:

Accounts receivable	\$	33,463
Less: allowance for doubtful accounts		-
<hr/>		
Accounts receivable, net	\$	33,463
<hr/>		

Based on historical receipts and the City's ability to cut off services, it is management's opinion that all accounts receivable in the business-type activities are collectible and therefore they have not recorded an allowance for doubtful accounts. At September 30, 2015, accounts receivable in the proprietary funds is summarized as follows:

Accounts receivable	\$	509,262
Less: allowance for doubtful accounts		-
<hr/>		
Accounts receivable, net	\$	509,262
<hr/>		

NOTE 6: NOTES RECEIVABLE

The City entered into an agreement during the year ended September 30, 2011 to loan up to \$180,512, at 3% per year to a local Association to build a lift station. The Association makes monthly payments of \$1,001 starting August 1, 2011 for 20 years. The City paid the construction company directly and added the amount paid for the Association to the loan as they incur the expense. The construction was completed in fiscal year 2012. The balance of the notes receivable as of September 30, 2015 is \$136,157.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 7: CAPITAL ASSETS

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

	September 30, 2014	Increases	Decreases	Transfers	September 30, 2015
Capital assets, not being depreciated					
Land	\$ 2,359,194	\$ -	\$ (27,665)	\$ -	\$ 2,331,529
Construction in progress	-	250,919	-	-	250,919
Total capital assets, not being depreciated	2,359,194	250,919	(27,665)	-	2,582,448
Capital assets, being depreciated					
Buildings	3,405,524	-	-	15,829	3,421,353
Improvements	18,998,295	82,298	-	(15,829)	19,064,764
Machinery and equipment	5,645,343	211,594	(190,471)	-	5,666,466
Total capital assets, being depreciated	28,049,162	293,892	(190,471)	-	28,152,583
Less accumulated depreciation					
Buildings	(1,240,039)	(70,971)	-	-	(1,311,010)
Improvements	(4,018,975)	(431,464)	-	-	(4,450,439)
Machinery and equipment	(4,602,138)	(363,934)	190,471	-	(4,775,601)
Total accumulated depreciation	(9,861,152)	(866,369)	190,471	-	(10,537,050)
Capital assets, being depreciated (net of accumulated depreciation)	18,188,010	(572,477)	-	-	17,615,533
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 20,547,204	\$ (321,558)	\$ (27,665)	\$ -	\$ 20,197,981

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2015:

	Water	Sewer	Sanitation	Storm water	Total
Land	\$ 220,302	\$ 1,584,314	\$ -	\$ 13,000	\$ 1,817,616
Buildings	870,227	564,764	-	-	1,434,991
Improvements	11,855,451	27,420,848	-	3,658,465	42,934,764
Machinery and equipment	1,201,836	931,804	400,478	302,078	2,836,196
Vehicles	207,327	147,788	1,140,844	53,460	1,549,419
Construction in progress	1,246,606	2,914,116	-	461,464	4,622,186
Total	15,601,749	33,563,634	1,541,322	4,488,467	55,195,172

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 7: CAPITAL ASSETS (CONTINUED)

	Water	Sewer	Sanitation	Storm water	Total
Less accumulated depreciation					
Buildings	\$ (304,408)	\$ (482,421)	\$ -	\$ -	\$ (786,829)
Improvements	(4,057,745)	(12,695,617)	-	(642,815)	(17,396,177)
Vehicles	(174,262)	(122,753)	(736,520)	(53,460)	(1,086,995)
Machinery and equipment	(720,155)	(653,447)	(342,217)	(280,811)	(1,996,630)
Total accumulated					
Depreciation	(5,256,570)	(13,954,238)	(1,078,737)	(977,086)	(21,266,631)
Total business-type activities capital assets (net of accumulated depreciation)	\$ 10,345,179	\$ 19,609,396	\$ 462,585	\$ 3,511,381	\$ 33,928,541

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

	September 30, 2014	Increases	Decreases	Transfers	September 30, 2015
Capital assets, not being depreciated					
Land	\$ 1,817,451	\$ -	\$ 165	\$ -	\$ 1,817,616
Construction in progress	1,812,750	2,809,436	-	-	4,622,186
Total capital assets, not being depreciated	3,630,201	2,809,436	165	-	6,439,802
Capital assets, being depreciated					
Buildings	1,428,718	-	-	6,273	1,434,991
Improvements	42,911,670	189,267	-	(166,173)	42,934,764
Vehicles	1,476,832	272,409	(199,822)	-	1,549,419
Machinery and equipment	2,540,470	166,853	(31,027)	159,900	2,836,196
Total capital assets, being depreciated	48,357,690	628,529	(230,849)	-	48,755,370
Less accumulated depreciation					
Buildings	(747,937)	(37,481)	-	(1,411)	(786,829)
Improvements	(16,308,593)	(1,248,895)	-	161,311	(17,396,177)
Vehicles	(1,163,721)	(90,125)	166,851	-	(1,086,995)
Machinery and equipment	(1,674,182)	(190,592)	28,044	(159,900)	(1,996,630)
Total accumulated depreciation	(19,894,433)	(1,567,093)	194,895	-	(21,266,631)

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 7: CAPITAL ASSETS (CONTINUED)

	September 30, 2014	Increases	Decreases	Transfers	September 30, 2015
Capital assets, being depreciated (net of accumulated depreciation)	\$ 28,463,257	\$ (938,564)	\$ (35,954)	\$ -	\$ 27,488,739
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 32,093,458	\$ 1,870,872	\$ (35,789)	\$ -	\$ 33,928,541

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

Governmental activities			
Executive		\$	20,849
Administration and finance			3,871
Development and planning			14,430
Public works			6,940
Other general government			167,966
Law enforcement			85,429
Fire protection			21,195
Streets			245,051
Fleet management			178,232
Library			39,075
Leisure services			47,388
Community redevelopment			35,943
Total depreciation expense – governmental activities		\$	866,369
Business-type activities			
Water		\$	480,870
Sewer			882,894
Sanitation			81,748
Storm water			121,581
Total depreciation expense – business-type activities		\$	1,567,093

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 8: INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2015 were as follows:

Transfers Out	Transfers In	Transfers Out	Transfers In
General fund	Debt service fund	\$ 403,272	\$ (403,272)
Sanitation fund	Storm water fund	345,812	(345,812)
CRA fund	Main Street fund	128,023	(128,023)
Total		\$ 877,107	\$ (877,107)

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

NOTE 9: LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

	Balance September 30, 2014			Balance September 30, 2015		Due Within One Year
	Additions	Deductions				
Bonds payable	\$ 2,210,230	\$ -	\$ (187,240)	\$ 2,022,990	\$ 189,370	
Notes payable	411,702	-	(112,760)	298,942	116,259	
Accrued compensated absences	281,229	16,839	-	298,068	41,730	
Total	\$ 2,903,161	\$ 16,839	\$ (300,000)	\$ 2,620,000	\$ 347,359	

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 matured December 2014. Annual principal and interest payments on the bonds are 2 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$0. Principal and interest paid for the current year and total pledged revenues were \$35,897 and \$1,646,635, respectively.

\$ -

NOTE 9: LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)

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.

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 44 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$315,250. Principal and interest paid for the current year and total pledged revenues were \$102,750 and \$232,048, respectively.

\$ 270,000

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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 9: LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)

3.0 to 4.2% and the bonds mature December 2027. Annual principal and interest payments on the bonds are 23 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$5,321,485. Principal and interest paid for the current year and total pledged revenues were \$375,266 and \$1,646,635, respectively.

	\$ 1,752,990
Total revenue bonds payable at September 30, 2015	2,022,990
Less: revenue bonds – current portion	(189,370)
Revenue bonds – long-term at September 30, 2015	\$ 1,833,620

Debt service requirements to maturity on revenue bonds payable at September 30, 2015 are as follows:

Year ending September 30,	Principal	Interest	Total
2016	\$ 189,370	\$ 86,983	\$ 276,353
2017	200,760	78,899	279,659
2018	207,890	70,384	278,274
2019	117,150	61,283	178,433
2020	123,540	51,719	175,259
2021 - 2025	694,380	178,080	872,460
2026 - 2028	489,900	31,865	521,765
Total	\$ 2,022,990	\$ 559,213	\$ 2,582,203

Notes Payable

In April 2010, the City borrowed \$348,126, to finance the purchase of a fire truck. Yearly payments of \$55,562 including interest at 3.35% are required. Matures September 2016.

\$ 53,735

In January 2005, the City borrowed \$800,000 to finance the purchase of a building and property. Monthly payments are required of \$5,772 including interest at 71% of the bank's prime lending rate. Matures June 2019.

245,207

Total notes payable at September 30, 2015	298,942
Less: current portion	116,259
Notes payable – long-term at September 30, 2015	\$ 182,683

NOTE 10: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

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.

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 for 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 11 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$910,280. Principal and interest paid for the current year and total pledged revenues were \$446,220 and \$3,978,044 respectively.

\$ 860,000

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 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 88 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$9,362,989. Principal and interest paid for the current year and total pledged revenues were \$3,504,027 and \$3,978,044 respectively.

6,735,000

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 10: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

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 23 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$5,321,485. Principal and interest paid for the current year and total pledged revenues were \$375,266 and \$1,646,635, respectively. \$ 2,362,010

Capital Improvement Revenue Refunding Bonds, Series 2011

On March of 2011, the City issued \$3,105,000 capital improvement revenue refunding bonds, series 2011. The bonds were issued to (1) to refund a portion of the City's outstanding \$2,915,000 capital improvement revenue refunding bonds, series 1997, (2) to purchase for deposit to the reserve account an insurance policy on the bonds, (3) to pay related underwriter's discount costs and costs of issuance. The series 2011 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 interest rates are from 2.0 to 4.0% and the bonds mature December 2019. Annual principal and interest payments on the bonds are 9 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$2,147,050. Principal and interest paid for the current year and total pledged revenues were \$375,600 and \$3,978,044, respectively. 1,930,000

Capital Improvement Revenue Bonds, Series 2014

In November of 2014, the City issued \$2,715,000 capital improvement revenue bonds, series 2014. The bonds were issued to (1) designed, construct, and acquire improvements to the City's water and wastewater system, (2) fund the reserve account, and (3) pay related cost of issuance. The series 2014 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 interest rates are from 2.0 to 4.0% and the bonds mature in December 2034. Annual principal and interest payments on the bonds are 1 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,982,438. Principal and interest paid for the current year and total pledged revenues were \$58,610 and \$3,978,044, respectively. 2,715,000

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 10: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Capital Improvement Revenue Refunding Bonds, Series 2015

In April of 2015, the City issued \$2,470,000 capital improvement revenue refunding bonds, series 2015. The bonds were issued to (1) refund a portion of the City's outstanding Capital Improvement Revenue Bonds, Series 2005, (2) fund a required deposit to the reserve account through the purchase of a reserve accounting insurance policy, (3) and pay related costs of issuance. The series 2015 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 interest rates are from 2.0 to 4.25% and the bonds mature December 2032. Annual principal and interest payments on the bonds are 1 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,254,054. Principal and interest paid for the current year and total pledged revenues were \$26,329 and \$3,978,044, respectively.

	\$ 2,470,000
Total principal obligation at September 30, 2015	17,072,010
Plus: net discount/(premium)	254,641
Less: principal obligation – current portion	(1,495,630)
Principal obligation – long-term at September 30, 2015	\$ 15,831,021

Debt service requirements to maturity on revenue bonds payable at September 30, 2015 are as follows:

Year ending September 30,	Principal	Net Discount/ (Premium)	Interest	Total
2016	\$ 1,495,630	\$ 18,625	\$ 638,361	\$ 2,152,616
2017	1,524,240	18,625	599,800	2,142,665
2018	1,237,110	18,625	542,742	1,798,477
2019	1,287,850	18,625	498,193	1,804,668
2020	1,646,460	18,625	444,426	2,109,511
2021-2025	3,480,620	54,535	1,744,717	5,279,872
2026-2030	3,775,100	60,292	957,691	4,793,083
2031-2035	2,625,000	46,689	213,401	2,885,090
Total	\$ 17,072,010	\$ 254,641	\$ 5,639,331	\$ 22,965,982

NOTE 11: NET POSITION RESTRICTIONS

The government-wide statement of net position reports \$4,469,658 of restricted net position, of which \$2,528,002 is restricted by enabling legislation. The following is a description of reported net position restrictions in governmental activities and business-type activities at September 30, 2015.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 11: NET POSITION RESTRICTIONS (CONTINUED)

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.

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 position are summarized below as of September 30, 2015:

Governmental activities	
Law enforcement education	\$ 5,714
Capital repair and replacement	1,491,165
Debt service	120,143
Community redevelopment	746,469
Total	\$ 2,363,491
Business-type activities	
Capital repair and replacement	\$ 284,478
Debt service	1,821,513
Total	\$ 2,105,991

City of Lynn Haven, Florida
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 for each pension plan 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.

As of September 30, 2015 the plans had the following membership breakdown:

	General Employees	Police	Firefighters
Inactive plan members or beneficiaries currently receiving benefits	27	11	6
Inactive plan members entitled to but not yet receiving benefits	14	8	0
Active plan members	87	28	20
Total plan membership	128	47	26

Note: This is actual membership as of September 30, 2014. No significant change during 2015.

Benefits Provided

The plans provide for retirement, termination, disability, and death benefits. Additional provisions for early retirement, delayed retirement, and disability benefits are described in City Ordinance 492. Specific benefits provided vary among the three retirement plans.

General Employees'

- Normal Retirement Benefits: 3.0% of average final compensation times credited service.
- Normal Retirement Age: Attainment of age 55 and 10 years of credited service.
- Early Retirement Benefits: Accrued benefit reduced 1/15th for each of the first 5 years and 1/30th for the next 5 years that early retirement precedes normal retirement.
- Early Retirement Age: Age 50 and 10 Years of credited service.
- Vesting Schedule: 100% after 10 years of credited service.
- Vesting Benefit Amount: Accrued (formula) benefit payable at the otherwise normal retirement date. Refund of accumulated contributions if not vested.
- Disability Eligibility: Total and permanent disability prior to normal retirement date. Ten years of service required for not-in-line of duty benefits.
- Disability Benefits: Accrued benefit actuarially reduced.
- Pre-Retirement Death Benefits – Vested: Monthly accrued benefit payable as a ten-year certain to designated beneficiary at the otherwise normal retirement date.
- Pre-Retirement Death Benefits – Nonvested: Return of member's accumulated contributions.

NOTE 12: RETIREMENT PLANS (CONTINUED)

Police Officers'

- Normal Retirement Benefits: 3.5% of average final compensation times credited service.
- Normal Retirement Age: Earlier of: 1) age 55 and 10 years of credited service, 2) attainment of age 60 or 3) the completion of 25 years of credited service, regardless of age.
- Early Retirement Benefits: Accrued benefit reduced 3% for each year that early retirement precedes normal retirement.
- Early Retirement Age: Age 45 and 10 Years of credited service.
- Vesting Schedule: 100% after 10 years of credited service.
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date.
- Disability Eligibility – Service Incurred: Covered from date of employment.
- Disability Eligibility – Nonservice Incurred: 10 years of credited service.
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (nonservice incurred).
- Pre-Retirement Death Benefits – Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.
- Pre-Retirement Death Benefits – Nonvested: Return of member's contributions without interest.

Firefighters'

- Normal Retirement Benefits: 3.5% of average final compensation times credited service.
- Normal Retirement Age: Earlier of age 55 and 10 years of credited service or 25 years of credited service regardless of age.
- Early Retirement Benefits: Accrued benefit reduced 3% for each year that early retirement precedes normal retirement.
- Early Retirement Age: Age 50 and 10 Years of credited service.
- Vesting Schedule: 100% after 10 years of credited service.
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date.
- Disability Eligibility – Service Incurred: Covered from date of employment.
- Disability Eligibility – Non-service Incurred: 10 years of credited service.
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred).
- Pre-Retirement Death Benefits – Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.
- Pre-Retirement Death Benefits – Nonvested: Return of member's contributions without interest.

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 full time City employees as a condition of employment.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

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 \$175,202 to the firefighters' plan, \$195,343 to the police officers' plan, and \$834,900 to the general employees' plan during the year ended September 30, 2015. The annual covered payroll for the year was \$826,871 for the firefighters, \$1,287,209 for the police officers, and \$4,089,610 for the general employees. The percentage of annual covered payroll for the year for each plan was 21.2%, 15.2%, and 20.4%, respectively.

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. Funds arising from these sources may be used for additional benefits for members, as determined by the board.

Investment Policy

The Board's targeted allocation policy for each pension plan as of September 30, 2015 is summarized below:

Asset class	General Employees	Police	Firefighters
Domestic equity	40%	40%	50%
International equity	15%	15%	10%
Bonds	40%	40%	0%
Core fixed income	0%	0%	40%
Treasury inflation protected securities	5%	5%	0%
Total targeted allocation	100%	100%	100%

Investment Concentrations

As of September 30, 2015, none of the plans held investments in any one organization that represented five percent or more of the pension plan's fiduciary net position.

Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on each pension plan's investments, net of pension plan investment expense for the year ended September 30, 2015 is summarized below:

	General Employees	Police	Firefighters
Money-weighted rate of return	-0.44%	-0.71%	-0.63%

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

Deferred Retirement Option Program

The plans have a deferred retirement option program. The requirements are that the plan participant must satisfy the normal retirement requirements and their participation in the program cannot exceed 60 months. The actual net rate of investment return (total return net of brokerage commission, and transaction costs) is credited each fiscal quarter. The DROP balance as of September 30, 2015 is \$737,914 in the general employees' plan with a \$0 balance in both the police plan and the firefighters' plan.

Net Pension Liability

The components of the net pension liability for each pension plan of the City at September 30, 2015, were as follows:

	General Employees	Police	Firefighters
Total pension liability	\$ 17,821,231	\$ 7,015,064	\$ 5,416,101
Plan fiduciary net position	(14,699,849)	(7,222,753)	(5,298,052)
City's net pension liability (asset)	\$ 3,121,382	\$ (207,689)	\$ 118,049
Plan fiduciary net position as a percentage of the total pension liability (asset)	82.49%	102.96%	97.82%

At September 30, 2015, the City reported a liability of \$3,121,382 for the pension liability for the General Employees' retirement plan. The net pension liabilities were measured as of September 30, 2015. The total net pension liability was allocated to each fund benefited by the plan.

At September 30, 2015, the City reported an asset of \$207,689 for the pension overfunding for the Police retirement plan. The net pension liabilities were measured as of September 30, 2015. The total net pension liability was reported in the governmental fund.

At September 30, 2015, the City reported a liability of \$118,049 for the pension liability for the Firefighters' retirement plan. The net pension liabilities were measured as of September 30, 2015. The total net pension liability was reported in the governmental fund.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2015, the City recognized pension expense of \$861,213, \$228,994, and \$130,224 for the general employee pension plan, the police pension plan, and the firefighters pension plan, respectively.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the general employee pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 269,403	\$ -
Net difference between projected and actual earnings on pension plan investments	-	999,500
Total	\$ 269,403	\$ 999,500

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the police pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 106,027	\$ -
Net difference between projected and actual earnings on pension plan investments	-	502,473
Total	\$ 106,027	\$ 502,473

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the firefighters pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 150,543	\$ -
Net difference between projected and actual earnings on pension plan investments	-	363,440
Total	\$ 150,543	\$ 363,440

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

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

Year Ended September 30:	General		
	Employees	Police	Firefighters
2017	\$ (231,719)	\$ (115,704)	\$ (62,656)
2018	(231,719)	(115,704)	(62,656)
2019	(231,719)	(115,704)	(62,656)
2020	(34,940)	(49,334)	(24,929)
Total	\$ (730,097)	\$ (396,446)	\$ (212,897)

Actuarial Assumptions

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2014 us the following actuarial assumptions applied to all measurement periods:

	General		
	Employees	Police	Firefighters
Inflation rate	3.00%	3.00%	3.00%
Salary increases	6.00%	6.50%	6.50%
Investment rate of return	8.00%	8.00%	8.00%

Mortality rates were based on the RP-2000 tables. The general employee plan used the RP-2000 Combined Healthy (sex distinct), projected to valuation date using scale AA for each pension plan. The police and fire plans used the RP-2000 Table with no projection. This table is based on a study over 650 public safety funds and the table reflects a 10% margin for future mortality improvements with disabled lives set forward 5 years.

The actuarial assumptions used in the September 30, 2015 valuation were based on an actuarial valuation as of October 1, 2014 updated to September 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class for each pension plan included in each pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset class	General		
	Employees	Police	Firefighters
Domestic equity	8.00%	8.00%	7.50%
International equity	3.00%	3.00%	8.50%
Bonds	4.40%	4.40%	0.00%
Core fixed income	0.00%	0.00%	2.50%
Treasury inflation protected securities	3.10%	3.10%	0.00%

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for each pension plan are summarized in the following table:

	General Employees	Police	Firefighters
Discount rate	8.00%	8.00%	8.00%

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

Sensitivity of the Net Pension Liability

The following presents the net pension liability of the City for each pension plan, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's net pension liability - General Employees' Pension	\$ 4,949,418	\$ 3,121,382	\$ 1,568,448
City's net pension liability (asset) - Police Pension	533,392	(207,689)	(837,868)
City's net pension liability (asset) - Firefighters' Pension	750,982	118,049	(412,088)

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.

Payables to the Pension Plans

The City reported no liability related to outstanding contributions to the pension plans required for the fiscal year ended September 30, 2015.

City of Lynn Haven, Florida
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 POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City has established the Retirees' Health Insurance Other Postemployment 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 149 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. 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.

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

Coverage	Monthly Premiums – Plan 3360	Monthly Premiums – Plan 3359	Monthly Premiums – Plan 3769
Retiree	\$ 850	\$ 890	\$ 914
Retiree and Spouse	2,025	2,118	2,176
Retiree & Children	1,565	1,638	1,682
Retiree and Family	2,654	2,777	2,852

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The City has not advanced 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 \$8,748 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:

Description		
Annual required contribution	\$	52,766
Amortization of unfunded actuarial accrued liability		-
Annual required contribution		52,766
Interest on net OPEB obligation		9,301
Adjustment to annual required contribution		(8,901)
Annual OPEB cost (expense)		53,166
Contribution toward the OPEB cost		(8,748)
Increase in net OPEB obligation		44,418
Net OPEB obligation, beginning of year		186,014
Adjustment to booked value - beginning of year		-
Net OPEB obligation, end of year	\$	230,432

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, 2015 was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 51,033	24%	\$ 144,469
2014	49,751	16%	186,014
2015	53,165	16%	230,432

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.

Actuarial Methods and Assumptions

The City had an actuarial valuation completed for the fiscal year ended September 30, 2013 dated October 1, 2012. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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 the 2013-14 fiscal year of 7.5% grading down to 4.5% in 2017. A payroll growth inflation assumption of 3% for all employees was used. A salary scale assumption of 6% for general and 6.5% for police and fire was used. The unfunded actuarial accrued liability is being amortized with a level percentage of payroll closed amortization over 28 years.

NOTE 15: CHANGE IN ACCOUNTING PRINCIPLE

During the current year, the City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement 68*. GASB Statement 68 requires a state or local government employer to recognize a net pension liability measured as a date no earlier than the end of its prior fiscal year. GASB Statement 71 allows an entity to only report a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the state of the government’s fiscal year, if it is not practical for the government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. Net position as of July 1, 2013, has been restated as follows for the implementation of GASB Statement 68, as amended by GASB Statement 71.

	Governmental Activities	Water Fund	Sewer Fund	Sanitation Fund	Storm water Fund
Net position, as previously reported at September 30, 2014	\$ 20,869,123	\$ 9,691,797	\$ 9,416,862	\$ 2,879,051	\$ 3,367,971
Restatement Adjustment					
Net pension asset (measurement date of September 30, 2014)	840,136	-	-	-	-

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 15: CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

	Governmental Activities	Water Fund	Sewer Fund	Sanitation Fund	Storm water Fund
Net pension liability (measurement date of September 30, 2014)	\$ (1,286,314)	\$ (426,666)	\$ (260,456)	\$ (223,593)	\$ (95,322)
Deferred inflows of resources	(193,231)	(13,517)	(8,251)	(7,083)	(3,020)
Total restatement adjustment	(639,409)	(440,183)	(268,707)	(230,676)	(98,342)
Net position, as restated at September 30, 2014	\$ 20,229,714	\$ 9,251,614	\$ 9,148,155	\$ 2,648,375	\$ 3,269,629

Required Supplementary Information

City of Lynn Haven, Florida
Required Supplementary Information

Schedule of Funding Progress for the Retirees' Health Insurance Other Postemployment 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, 2014	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2013	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2012	\$ 0	\$ 306,941	\$ 306,941	0.0%	\$ 5,650,762	5.4%

Schedule of Employer Contributions for the Retirees' Health Insurance Other Postemployment Benefits Plan:

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2013	\$ 12,171	\$ 51,033	24%
2014	8,205	49,751	16%
2015	8,748	53,165	16%

See independent auditor's report.

City of Lynn Haven, Florida
Schedule of Changes in Net Pension Liability and Related Ratios –
General Employees’ Retirement System – Last Three Fiscal Years

Year ended September 30,	2015	2014	2013
Total pension liability			
Service cost	\$ 623,863	\$ 676,486	\$ 626,376
Interest	1,378,512	1,279,098	1,155,629
Differences between expected and actual experience	(268,672)	-	-
Employee contributions	(1,040,029)	(280,537)	(296,952)
Net change in total pension liability	693,674	1,675,047	1,485,053
Total pension liability - beginning	17,127,557	15,452,510	13,967,457
Total pension liability - ending (a)	17,821,231	17,127,557	15,452,510
Plan fiduciary net position			
Contributions - employer	834,900	816,608	730,071
Contributions - member	163,518	184,927	181,610
Net investment income	(65,358)	1,156,984	1,267,086
Employee contributions	(1,040,029)	(280,537)	(296,952)
Administrative expense	(28,388)	(19,746)	(21,504)
Net change in plan fiduciary net position	(135,357)	1,858,236	1,860,311
Plan fiduciary net position - beginning	14,835,206	12,976,970	11,116,659
Plan fiduciary net position - ending (b)	14,699,849	14,835,206	12,976,970
Net Pension Liability - ending (a) - (b)	\$ 3,121,382	\$ 2,292,351	\$ 2,475,540
Plan fiduciary net position as a percentage of the total pension liability	82.49%	86.62%	83.98%
Covered-employee payroll	4,089,610	3,698,541	3,632,195
Net pension liability as a percentage of covered-employee payroll	76.32%	61.98%	68.16%

Notes to Schedule:

Benefit changes: There have been no benefit changes since 2013 which is the first available year of this comparison.

Changes in assumptions: There have been no changes in assumptions since 2013 which is the first available year of this comparison.

See independent auditor’s report.

City of Lynn Haven, Florida
Schedule of Contributions – General Employees’ Retirement System –
Last Three Fiscal Years

Year ended September 30,	2015	2014	2013
Actuarially Determined Contribution	\$ 834,900	\$ 816,608	\$ 730,071
Contributions in relation to the actuarially determined contribution	834,900	816,608	730,071
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 4,089,610	\$ 3,698,541	\$ 3,632,195
Contributions as a percentage of covered-employee payroll	20.42%	22.08%	20.10%

Notes to Schedule:

Valuation date: October 1, 2013

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal Actuarial Cost Method
Amortization method:	Level Percentage of Pay, Closed
Remaining amortization period:	28 Years (as of 10/1/2013)
Asset valuation method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average market value return. It is possible that over time this technique will produce an insignificant bias above or below market value.
Inflation:	3.00% per year.
Salary increases:	6.0% per year until the assumed retirement age. In addition, final projected salary is increased individually to account for additional nonregular payments (formerly 20%).
Interest rate:	8.00% per year compounded annually, net of investment related expenses.
Payroll growth:	5.00% per year.
Retirement age:	Attainment of age 55 and the completion of 10 years of service. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.

(Continued)

See independent auditor’s report.

City of Lynn Haven, Florida
Schedule of Contributions – General Employees’ Retirement System –
Last Three Fiscal Years (Continued)

Notes to Schedule:

Early retirement: Commencing with eligibility for early retirement age (Age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 2.00% per year.

Termination rate: See table below under "other information"

Disability rate: See table below under "other information"

Mortality rate: RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA (previously static).
 RP 2000 Disabled Mortality Table for disabled lives (previously the RP 2000 Combined Healthy table set forward 5 years).

Other information:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	17.20%
30	0.04%	15.00%
40	0.07%	8.20%
50	0.18%	1.70%
60	0.90%	0.50%

City of Lynn Haven, Florida
Schedule of Investment Returns – General Employees’ Retirement System –
Last Three Fiscal Years

Year Ended September 30,	2015	2014	2013
Annual money-weighted rate of return net of investment expense	-0.44%	8.67%	11.09%

See independent auditor’s report.

City of Lynn Haven, Florida
Schedule of Changes in Net Pension Liability and Related Ratios –
Police Officers’ Retirement System – Last Three Fiscal Years

Year ended September 30,	2015	2014	2013
Total pension liability			
Service cost	\$ 309,736	\$ 288,702	\$ 267,317
Interest	526,808	481,522	436,833
Change in excess state money	26,971	23,122	-
Differences between expected and actual experience	(91,536)	-	-
Employee contributions	(245,073)	(205,289)	(128,550)
Net change in total pension liability	526,906	588,057	575,600
Total pension liability - beginning	6,488,158	5,900,101	5,324,501
Total pension liability - ending (a)	7,015,064	6,488,158	5,900,101
Plan fiduciary net position			
Contributions - employer	195,344	196,175	236,419
Contributions - State	117,198	113,349	102,477
Contributions - member	64,089	68,969	63,303
Net investment income	(50,536)	571,109	626,409
Employee contributions	(245,073)	(205,289)	(128,550)
Administrative expense	(23,874)	(22,490)	(34,281)
Net change in plan fiduciary net position	57,148	721,823	865,777
Plan fiduciary net position - beginning	7,165,605	6,443,782	5,578,005
Plan fiduciary net position - ending (b)	7,222,753	7,165,605	6,443,782
Net Pension Liability - ending (a) - (b)	\$ (207,689)	\$ (677,447)	\$ (543,681)
Plan fiduciary net position as a percentage of the total pension liability	102.96%	110.44%	109.21%
Covered-employee payroll	1,287,209	1,379,386	1,266,068
Net pension liability as a percentage of covered-employee payroll	-16.13%	-49.11%	-42.94%

Notes to Schedule:

Benefit changes: There have been no benefit changes since 2013 which is the first available year of this comparison.

Changes in assumptions: There have been no changes in assumptions since 2013 which is the first available year of this comparison.

See independent auditor’s report.

City of Lynn Haven, Florida
Schedule of Contributions – Police Officers’ Retirement System –
Last Three Fiscal Years

Year ended September 30,	2015	2014	2013
Actuarially Determined Contribution	\$ 286,402	\$ 286,402	\$ 326,646
Contributions in relation to the actuarially determined contribution	286,402	286,402	326,646
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,287,209	\$ 1,379,386	\$ 1,266,068
Contributions as a percentage of covered-employee payroll	22.25%	20.76%	25.80%

Notes to Schedule:

Valuation date: October 1, 2012 (AIS May 23, 2013)

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Frozen Entry Age Actuarial Cost Method
Amortization method:	Level Percentage of Pay, closed
Remaining amortization period:	28 Years (as of 10/1/2013)
Asset valuation method:	Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average market value return. It is possible that over time this technique will produce an insignificant bias above or below market value.
Inflation:	3.00% per year.
Salary increases:	6.5% per year until the assumed retirement age. In addition, final projected salary is increased individually to account for additional nonregular payments (formerly 20%).
Interest rate:	8.00% per year compounded annually, net of investment related expenses.
Payroll growth:	3.00% per year.
Retirement age:	Earlier of: 1) age 55 and 10 years of service, 2) 25 years of service, regardless of age, or 3) attainment of age 60. Also, any Member who has reached normal retirement is assumed to continue employment for one additional year.

(Continued)

See independent auditor’s report.

City of Lynn Haven, Florida
Schedule of Contributions – Police Officers’ Retirement System –
Last Three Fiscal Years (Continued)

Notes to Schedule:

Early retirement: Commencing with eligibility for early retirement age (Age 45 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Termination rate: See table below under "other information"

Disability rate: See table below under "other information"

Mortality rate: RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

Other information:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	6.00%
30	0.04%	5.00%
40	0.07%	2.60%
50	0.18%	0.80%

City of Lynn Haven, Florida
Schedule of Investment Returns – Police Officers’ Retirement System –
Last Three Fiscal Years

Year ended September 30,	2015	2014	2013
Annual money-weighted rate of return net of investment expense	-0.71%	8.83%	10.99%

See independent auditor’s report.

City of Lynn Haven, Florida
Schedule of Changes in Net Pension Liability and Related Ratios –
Firefighters’ Retirement System – Last Three Fiscal Years

Year ended September 30,	2015	2014	2013
Total pension liability			
Service cost	\$ 189,512	\$ 191,324	\$ 177,152
Interest	370,363	340,740	312,224
Change in excess State money	55,979	62,154	-
Differences between expected and actual experience	(74,169)	-	-
Employee contributions	(167,618)	(152,334)	(141,843)
Net change in total pension liability	374,067	441,884	347,533
Total pension liability - beginning	5,042,034	4,600,150	4,252,617
Total pension liability - ending (a)	5,416,101	5,042,034	4,600,150
Plan fiduciary net position			
Contributions - employer	175,202	191,373	178,051
Contributions - state	98,068	104,243	127,858
Contributions - member	40,940	41,786	38,336
Net investment income	(32,874)	509,709	416,896
Employee contributions	(167,618)	(152,334)	(141,843)
Administrative expense	(20,388)	(12,168)	(14,739)
Net change in plan fiduciary net position	93,330	682,609	604,559
Plan fiduciary net position - beginning	5,204,722	4,522,113	3,917,554
Plan fiduciary net position - ending (b)	5,298,052	5,204,722	4,522,113
Net Pension Liability - ending (a) - (b)	\$ 118,049	\$ (162,688)	\$ 78,037
Plan fiduciary net position as a percentage of the total pension liability	97.82%	103.23%	98.30%
Covered-employee payroll	826,871	835,712	766,714
Net pension liability as a percentage of covered-employee payroll	14.28%	-19.47%	10.18%

Notes to Schedule:

Benefit changes: There have been no benefit changes since 2013 which is the first available year of this comparison.

Changes in assumptions: There have been no changes in assumptions since 2013 which is the first available year of this comparison.

See independent auditor’s report.

City of Lynn Haven, Florida
Schedule of Contributions – Firefighters’ Retirement System –
Last Three Fiscal Years

Year ended September 30,	2015	2014	2013
Actuarially Determined Contribution	\$ 233,462	\$ 233,462	\$ 228,481
Contributions in relation to the actuarially determined contribution	233,462	233,462	228,481
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 826,871	\$ 835,712	\$ 766,714
Contributions as a percentage of covered-employee payroll	28.23%	27.94%	29.80%

Notes to Schedule:

Valuation date: October 1, 2013

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Frozen Entry Age Cost Method
Amortization method:	Level Percentage of Pay, Closed
Remaining amortization period:	28 Years (as of 10/1/2013)
Asset valuation method:	Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average market value return. It is possible that over time this technique will produce an insignificant bias above or below market value.
Inflation:	3.00% per year.
Salary increases:	6.5% per year until the assumed retirement age. In addition, final projected salary is increased individually to account for additional nonregular payments (formerly 20%).
Interest rate:	8.00% per year compounded annually, net of investment related expenses.
Payroll growth:	3.00% per year.
Retirement age:	Earlier age 55 and 10 years of service or 25 years of service, regardless of age. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.

(Continued)

See independent auditor’s report.

City of Lynn Haven, Florida
Schedule of Contributions – Firefighters’ Retirement System –
Last Three Fiscal Years (Continued)

Notes to Schedule:

Early retirement: Commencing with eligibility for early retirement age (Age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5.00% per year.

Termination rate: See table below under "other information"

Disability rate: See table below under "other information"

Mortality rate: RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

Other information:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	6.00%
30	0.04%	5.00%
40	0.07%	2.60%
50	0.18%	0.80%

City of Lynn Haven, Florida
Schedule of Investment Returns – Firefighters’ Retirement System –
Last Three Fiscal Years

Year ended September 30,	2015	2014	2013
Annual money-weighted rate of return net of investment expense	-0.63%	11.14%	10.38%

See independent auditor’s report.

Combining Statements

City of Lynn Haven, Florida
Combining Balance Sheet – Nonmajor Governmental Funds

September 30, 2015	Community Redevelopment	Main Street	Debt Service	Other Governmental Funds Total
Assets				
Cash and cash equivalents	\$ 746,672	\$ -	\$ -	\$ 746,672
Prepays	176	-	-	176
Cash and cash equivalents - restricted	-	-	120,143	120,143
Total assets	\$ 746,848	\$ -	\$ 120,143	\$ 866,991
Liabilities and fund balances				
Liabilities				
Accrued salaries	\$ 203	\$ -	\$ -	\$ 203
Total liabilities	203	-	-	203
Fund balances				
Nonspendable	176	-	-	176
Restricted	746,469	-	120,143	866,612
Total fund balances	746,645	-	120,143	866,788
Total liabilities and fund balances	\$ 746,848	\$ -	\$ 120,143	\$ 866,991

See independent auditor's report.

City of Lynn Haven, Florida

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds**

Year Ended September 30, 2015	Community Redevelopment	Main Street	Debt Service	Other Governmental Funds Total
Revenues				
Taxes				
Property taxes	\$ 298,303	\$ -	\$ -	\$ 298,303
Interest	437	1	95	533
Other fees and miscellaneous	-	5,370	-	5,370
Total revenues	298,740	5,371	95	304,206
Expenditures				
Current				
Development and planning	70,366	159,937	-	230,303
Debt service				
Principal	-	-	300,000	300,000
Interest and fiscal charges	-	-	102,733	102,733
Total expenditures	70,366	159,937	402,733	633,036
Excess (deficit) of revenues over (under) expenditures	228,374	(154,566)	(402,638)	(328,830)
Other financing sources (uses)				
Transfers in	-	128,023	403,272	531,295
Transfers out	(128,023)	-	-	(128,023)
Total other financing sources (uses)	(128,023)	128,023	403,272	403,272
Net changes in fund balances	100,351	(26,543)	634	74,442
Fund balances - beginning	646,294	26,543	119,509	792,346
Fund balances - ending	\$ 746,645	\$ -	\$ 120,143	\$ 866,788

See independent auditor's report.

City of Lynn Haven, Florida
Combining Statement of Fiduciary Net Position – Fiduciary Funds

September 30, 2015	Firefighters' Relief and Pension Trust Fund	Police Officers' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Assets				
Investment savings	\$ 5,202,992	\$ 7,107,362	\$ 14,726,373	\$ 27,036,727
Interest receivable	18,758	11,920	23,748	54,426
Contributions receivable	98,068	117,198	-	215,266
Total assets	5,319,818	7,236,480	14,750,121	27,306,419
Liabilities				
Prepaid city contributions	21,766	13,728	50,272	85,766
Total liabilities	21,766	13,728	50,272	85,766
Net position				
Held in trust for pension benefits	\$ 5,298,052	\$ 7,222,752	\$ 14,699,849	\$ 27,220,653

See independent auditor's report.

City of Lynn Haven, Florida

Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended September 30, 2015	Firefighters' Relief and Pension Trust Fund	Police Officers' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Additions				
Contributions				
Employer	\$ 175,202	\$ 195,343	\$ 834,900	\$ 1,205,445
Plan members	40,940	64,089	163,518	268,547
State	98,068	117,198	-	215,266
Settlements	-	36	53	89
Total contributions	314,210	376,666	998,471	1,689,347
Investment income				
Net decrease in fair value of investments	(127,646)	(182,901)	(362,139)	(672,686)
Interest	56,249	11,923	23,753	91,925
Dividends	83,291	141,328	293,661	518,280
Miscellaneous	200	-	-	200
	12,094	(29,650)	(44,725)	(62,281)
Less investment expenses				
Professional fees	57,327	32,608	37,284	127,219
Insurance	-	2,516	2,354	4,870
Bank charges	8,029	9,672	9,437	27,138
Net investment earnings	(53,262)	(74,446)	(93,800)	(221,508)
Total additions	260,948	302,220	904,671	1,467,839
Deductions				
Benefits	158,962	225,826	945,668	1,330,456
Refunds of contributions	8,656	19,247	94,360	122,263
Total deductions	167,618	245,073	1,040,028	1,452,719
Change in net position	93,330	57,147	(135,357)	15,120
Net position - beginning	5,204,722	7,165,605	14,835,206	27,205,533
Net position - ending	\$ 5,298,052	\$ 7,222,752	\$ 14,699,849	\$ 27,220,653

See independent auditor's report.

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Lynn Haven, Florida, as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 31, 2016.

Auditor's Responsibility

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 and Chapter 10.550, Rules of the Auditor General.

Other Report

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated March 31, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements.. The City of Lynn Haven, Florida, was established under the provisions of the State of Florida (Laws of Florida, 1951, CH. 27685, Sec. 5). The City of Lynn Haven, Florida included the following component units:

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.

Lynn Haven Main Street, Inc. is operated by the City. The Organization was created on July 27, 2010 by City Resolution 2010-07-506 pursuant to Florida Statute 617.0302. This organization was dissolved on September 30, 2015.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of Lynn Haven, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions 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.

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Lynn Haven, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

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

Certified Public Accountants
Panama City Beach, Florida
March 31, 2016



INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the City of Lynn Haven, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the City of Lynn Haven, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Lynn Haven, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Lynn Haven, Florida's compliance with specified requirements.

In our opinion, the City of Lynn Haven, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of management and the State of 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.

Certified Public Accountants
Panama City Beach, Florida
March 31, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Lynn Haven, Florida’s basic financial statements, and have issued our report thereon dated March 31, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
March 31, 2016