

City of Lynn Haven, Florida

Financial Statements

September 30, 2016



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

City of Lynn Haven, Florida
Table of Contents
September 30, 2016

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 (UNAUDITED)	
Schedule of Funding Progress for the Retirees’ Health Insurance Other Postemployment Benefits Plan	61
Schedule of Employer Contributions for the Retirees’ Health Insurance Other Postemployment Benefits Plan	61
Schedule of Changes in Net Pension Liability and Related Ratios – General Employees’ Retirement System – Last Four Fiscal Years	62
Schedule of Contributions – General Employees’ Retirement System – Last Four Fiscal Years	63

City of Lynn Haven, Florida
Table of Contents
September 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (CONTINUED)

Schedule of Investment Returns – General Employees’ Retirement System –
Last Four Fiscal Years 65

Schedule of Changes in Net Pension Liability and Related Ratios –
Police Officers’ Retirement System – Last Four Fiscal Years 66

Schedule of Contributions – Police Officers’ Retirement System – Last Four Fiscal Years 67

Schedule of Investment Returns – Police Officers’ Retirement System – Last Four
Fiscal Years 69

Schedule of Changes in Net Pension Liability and Related Ratios –
Firefighters’ Retirement System – Last Four Fiscal Years 70

Schedule of Contributions – Firefighters’ Retirement System – Last Four Fiscal Years 71

Schedule of Investment Returns – Firefighters’ Retirement System – Last Four Fiscal Years 73

COMBINING STATEMENTS

Combining Balance Sheet – Nonmajor Governmental Funds 74

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds 75

Combining Statement of Fiduciary Net Position – Fiduciary Funds 76

Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds 77

COMPLIANCE SECTION

Independent Auditor’s Management Letter 78

Independent Accountant’s Report 81

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* 82



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 (City), as of and for the year ended September 30, 2016, and the related notes to basic 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, 2016, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 61, and the pension related statements on pages 62 through 73, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and fiduciary fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These 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 nonmajor fund financial statements and fiduciary 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 April 17, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Caru, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
April 17, 2017

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 and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$55,151,119 (net position). Of this amount, \$1,803,184 is unrestricted net position of the governmental activities and \$9,184,514 is unrestricted net position of the business-type activities, while \$2,455,483 is restricted net position of the governmental activities and \$2,235,251 is restricted net position of the business-type activities. Total net position includes \$18,520,929 net investment in capital assets of the governmental activities and \$20,951,758 of the business-type activities.
- Total net position increased by \$7,363,898. Of this amount, \$1,733,851 is attributable to governmental activities and \$5,630,047 is attributable to business-type activities.
- As of September 30, 2016, the general fund's unassigned fund balance was \$2,666,426 or 27% of total general fund expenditures.
- Governmental activities' revenues and transfers increased to \$11,878,546 or 8%, while governmental activities' expenses decreased 1% to \$10,144,695. Business-type activities' revenues and transfers increased to \$13,733,741 or 29%, while business-type activities' expenses decreased 2% to \$8,103,694.

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, deferred outflows or resources, liabilities, and deferred inflows of resources of the City, with the difference between them reported as *net position*.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 expenses 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 expenses 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 unit: The City of Lynn Haven Community Redevelopment Agency. Financial information for this component unit is included in the City's financial information.

Fund Financial Statements

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

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

Fund financial statements for all governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances. The City's general fund includes a statement of revenues, expenditures and changes in fund balances – budget and actual. For the proprietary funds, a statement of net 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 funds, 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, assets 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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the City. At the end of the fiscal years 2016 and 2015, 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	
	2016	2015	2016	2015	2016	2015
Current and other						
assets	\$ 6,103,115	\$ 4,708,567	\$ 13,276,785	\$ 11,858,733	\$ 19,379,900	\$ 16,567,300
Capital assets	20,562,661	20,197,981	38,883,308	33,928,541	59,445,969	54,126,522
Total assets	26,665,776	24,906,548	52,160,093	45,787,274	78,825,869	70,693,822
Deferred outflows						
of resources	1,758,020	1,426,765	914,677	899,831	2,672,697	2,326,596
Current liabilities	223,327	214,835	671,157	585,598	894,484	800,433
Noncurrent						
liabilities	4,488,986	4,664,992	19,772,991	19,241,799	24,261,977	23,906,791
Total liabilities	4,712,313	4,879,827	20,444,148	19,827,397	25,156,461	24,707,224
Deferred inflows						
of resources	931,887	407,741	259,099	118,232	1,190,986	525,973
Net position						
Net investment						
in capital assets	18,520,929	17,876,049	20,951,758	16,601,890	39,472,687	34,477,939
Restricted	2,455,483	2,363,491	2,235,251	2,105,991	4,690,734	4,469,482
Unrestricted	1,803,184	806,205	9,184,514	8,033,595	10,987,698	8,839,800
Total net position	\$ 22,779,596	\$ 21,045,745	\$ 32,371,523	\$ 26,741,476	\$ 55,151,119	\$ 47,787,221

Net investment in capital assets (i.e., 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 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.

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 (\$10,987,698) 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

<i>Year Ended September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$ 982,199	\$ 707,226	\$ 11,301,847	\$ 10,517,199	\$ 12,284,046	\$ 11,224,425
Operating						
grants/contributions	77,799	125,099	-	-	77,799	125,099
Capital						
grants/contributions	33,748	21,537	2,291,454	90,626	2,325,202	112,163
General revenues						
Gross receipts taxes	6,354,409	6,273,294	-	-	6,354,409	6,273,294
Utility taxes/franchise fees	3,918,732	3,466,224	-	-	3,918,732	3,466,224
Property taxes, CRA	291,119	298,303	-	-	291,119	298,303
Other	220,540	150,443	140,440	47,380	360,980	197,823
Total revenues and transfers	11,878,546	11,042,126	13,733,741	10,655,205	25,612,287	21,697,331
Expenses						
General government	2,802,685	2,803,185	-	-	2,802,685	2,803,185
Public safety	4,309,794	4,416,862	-	-	4,309,794	4,416,862
Highways and streets	1,177,888	1,208,424	-	-	1,177,888	1,208,424
Culture/recreation	1,762,000	1,695,200	-	-	1,762,000	1,695,200
Interest on long-term debt	92,328	102,424	-	-	92,328	102,424
Water	-	-	2,741,060	2,635,517	2,741,060	2,635,517
Sewer	-	-	2,967,533	3,136,217	2,967,533	3,136,217
Sanitation	-	-	1,855,427	1,932,051	1,855,427	1,932,051
Storm water	-	-	539,674	527,717	539,674	527,717
Total expenses	10,144,695	10,226,095	8,103,694	8,231,502	18,248,389	18,457,597
Change in net position	\$ 1,733,851	\$ 816,031	\$ 5,630,047	\$ 2,423,703	\$ 7,363,898	\$ 3,239,734

Governmental activities' revenues exceeded expenses by \$1,733,851, while business-type activities' revenues exceeded expenses by \$5,630,047. Total revenues increased \$3,914,956 from the previous year. Revenues increased as a result of several factors. Charges for service revenues increased \$1,059,621, capital

grants and contributions increased \$2,213,039, and utility taxes and franchise fees increased \$452,508. Total expenses decreased \$209,208 from the previous year. Governmental expenses decreased \$81,400. Culture/recreation expenses increased \$66,800 while public safety expenses decreased by \$107,068. Utility expenses decreased \$127,808.

53% of the revenues for governmental activities were generated by gross receipts taxes, while most of the governmental resources were expended for public safety (42%), general government (28%), culture and recreation (17%), and highways and streets (12%) activities.

Charges for services provided substantially all of the revenues for business-type activities, while the sewer fund consumed 37% 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, 2016, total assets were \$4,844,310, and total liabilities were \$211,748. At the end of fiscal year 2016, unassigned fund balance of the general fund was \$2,666,426, while total fund balance was \$4,632,562.

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 *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	
	2016	2015
<i>September 30,</i>		
Water	\$ 5,558,836	\$ 4,815,199
Sewer	1,194,310	784,005
Sanitation	2,487,291	2,489,035
Storm water	(55,923)	(54,644)
Total	\$ 9,184,514	\$ 8,033,595

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, 2016, was \$59,445,969 (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:

- Completion of the AWT filter replacements at the sewer plant - \$539,685.
- 17th Street ditch segment piping - \$2,174,195.
- Cast iron water main and sewer clay pipe line replacement - \$652,824.
- Purchase of 1 garbage truck and 3 trash trucks - \$649,104.

Capital Assets (net of depreciation)

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,331,529	\$ 2,331,529	\$ 1,277,064	\$ 1,817,616	\$ 3,608,593	\$ 4,149,145
Construction in progress	112,536	250,919	4,247,686	4,622,186	4,360,222	4,873,105
Buildings	1,962,267	2,110,343	611,857	648,162	2,574,124	2,758,505
Improvements	14,955,083	14,614,325	30,251,553	25,538,587	45,206,636	40,152,912
Machinery and equipment	1,201,246	890,865	2,495,148	1,301,990	3,696,394	2,192,855
Total	\$ 20,562,661	\$ 20,197,981	\$ 38,883,308	\$ 33,928,541	\$ 59,445,969	\$ 54,126,522

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 \$17,744,730. This debt amount represents bonds secured solely by specified revenue sources.

Outstanding Bond Debt

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Bonds payable	\$ 1,859,180	\$ 2,022,990	\$ 15,885,550	\$ 17,326,651	\$ 17,744,730	\$ 19,349,641

Principal repayments during the year on bonds totaled \$5,534,911 and proceeds from new bonds during the year totaled \$3,930,000. 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, fiscal year 2016/2017 brings another increase. In conjunction with an increase last year in 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 fiscal year 2016/2017 budget, and ad valorem rate stayed the same at 3.9000. User fees were adjusted based on the annual change in the Consumer Price Index.

At September 30, 2016, unassigned fund balance in the general fund was \$2,666,426. 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, 2016	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 3,495,842	\$ 9,531,805	\$ 13,027,647
Accounts receivable, net	11,848	484,331	496,179
Notes receivable	10,198	267,701	277,899
Grants receivable	-	28,375	28,375
Prepays	229,087	-	229,087
Inventories	31,348	75,139	106,487
Restricted assets			
Cash and cash equivalents	1,816,385	2,670,251	4,486,636
Total current assets	5,594,708	13,057,602	18,652,310
Noncurrent assets			
Prepaid bond insurance	-	99,342	99,342
Notes receivable	-	119,841	119,841
Net pension asset	508,407	-	508,407
Capital assets			
Nondepreciable	2,444,065	5,524,750	7,968,815
Depreciable, net of accumulated depreciation	18,118,596	33,358,558	51,477,154
Total noncurrent assets	21,071,068	39,102,491	60,173,559
Deferred outflows of resources			
Deferred outflows related to pensions	1,758,020	473,280	2,231,300
Deferred loss on bond refunding	-	441,397	441,397
Total deferred outflows of resources	1,758,020	914,677	2,672,697
Total assets and deferred outflows of resources	28,423,796	53,074,770	81,498,566
Liabilities			
Current liabilities			
Accounts payable	17,337	2,203	19,540
Accrued expenses	162,027	19,234	181,261
Accrued interest	10,963	190,466	201,429
Unearned revenue	33,000	459,254	492,254
Total current liabilities	223,327	671,157	894,484

(Continued)

See accompanying notes.

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

September 30, 2016	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Customer deposits	\$ -	\$ 429,395	\$ 429,395
Due within one year			
Accrued compensated absences	44,425	12,716	57,141
Notes payable	64,485	-	64,485
Bonds payable	217,800	1,547,200	1,765,000
Due in more than one year			
Accrued compensated absences	272,895	72,059	344,954
Notes payable	118,067	2,046,000	2,164,067
Bonds payable, net of discount	1,641,380	14,338,350	15,979,730
Net pension liability	1,932,191	1,264,699	3,196,890
Other postemployment benefits	197,743	62,572	260,315
Total noncurrent liabilities	4,488,986	19,772,991	24,261,977
Deferred inflows of resources			
Deferred inflows related to pensions	931,887	259,099	1,190,986
Total deferred inflows of resources	931,887	259,099	1,190,986
Total liabilities and deferred inflows of resources	5,644,200	20,703,247	26,347,447
Net position			
Net investment in capital assets	18,520,929	20,951,758	39,472,687
Restricted			
Law enforcement education	8,738	-	8,738
Capital repair and replacement	1,685,588	392,254	2,077,842
Reforestation	11,375	-	11,375
Debt service	122,047	1,842,997	1,965,044
Community redevelopment	627,735	-	627,735
Unrestricted	1,803,184	9,184,514	10,987,698
Total net position	\$ 22,779,596	\$ 32,371,523	\$ 55,151,119

See accompanying notes.

City of Lynn Haven, Florida
Statement of Activities

Year Ended September 30, 2016	Net (Expenses) Revenues and Change in Net Position						Total
	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Functions/Programs							
Primary government							
Governmental activities							
Legislative	\$ 97,718	\$ -	\$ -	\$ -	\$ (97,718)	\$ -	\$ (97,718)
Executive	474,034	-	-	-	(474,034)	-	(474,034)
Administration and finance	306,772	-	-	-	(306,772)	-	(306,772)
Professional services	360,603	-	-	-	(360,603)	-	(360,603)
Development and planning	577,148	314,261	-	-	(262,887)	-	(262,887)
Protective inspections	279,954	-	-	-	(279,954)	-	(279,954)
Public works	352,691	-	-	-	(352,691)	-	(352,691)
Economic development	21,394	-	-	-	(21,394)	-	(21,394)
Other general government	612,325	121,805	77,799	-	(412,721)	-	(412,721)
Law enforcement	2,763,051	176,016	-	13,129	(2,573,906)	-	(2,573,906)
Fire protection	1,266,789	83,076	-	-	(1,183,713)	-	(1,183,713)
Streets	818,368	31,028	-	-	(787,340)	-	(787,340)
Fleet management	359,520	-	-	-	(359,520)	-	(359,520)
Library	251,890	4,388	-	1,110	(246,392)	-	(246,392)
Leisure services	1,510,110	251,625	-	19,509	(1,238,976)	-	(1,238,976)
Interest on long-term debt	92,328	-	-	-	(92,328)	-	(92,328)
Total governmental activities	10,144,695	982,199	77,799	33,748	(9,050,949)	-	(9,050,949)
Business-type activities							
Water	2,741,060	4,058,171	-	1,372,822	-	2,689,933	2,689,933
Sewer	2,967,533	4,068,080	-	918,632	-	2,019,179	2,019,179
Sanitation	1,855,427	2,671,215	-	-	-	815,788	815,788
Storm water	539,674	504,381	-	-	-	(35,293)	(35,293)
Total business-type activities	8,103,694	11,301,847	-	2,291,454	-	5,489,607	5,489,607
Total primary government	\$ 18,248,389	\$ 12,284,046	\$ 77,799	\$ 2,325,202	(9,050,949)	5,489,607	(3,561,342)

(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, 2016	Governmental Activities	Business-type Activities	Total
General revenues			
Taxes			
Gross receipts	\$ 6,354,409	\$ -	\$ 6,354,409
Utility taxes	2,270,662	-	2,270,662
Franchise fees	1,648,070	-	1,648,070
Property taxes	291,119	-	291,119
Rents	99,898	-	99,898
Miscellaneous	110,815	130,693	241,508
Total general revenues	10,774,973	130,693	10,905,666
Interest earnings	9,827	9,747	19,574
Total general revenues and interest	10,784,800	140,440	10,925,240
Change in net position	1,733,851	5,630,047	7,363,898
Net position - beginning	21,045,745	26,741,476	47,787,221
Net position - ending	\$ 22,779,596	\$ 32,371,523	\$ 55,151,119

See accompanying notes.

City of Lynn Haven, Florida
Balance Sheet – Governmental Funds

September 30, 2016	General Fund	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 2,867,491	\$ 628,351	\$ 3,495,842
Accounts receivable, net	11,848	-	11,848
Notes receivable	10,198	-	10,198
Prepays	229,087	-	229,087
Inventories	31,348	-	31,348
Cash and cash equivalents - restricted	1,694,338	122,047	1,816,385
Total assets	\$ 4,844,310	\$ 750,398	5,594,708
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 17,337	\$ -	17,337
Accrued expenditures	161,411	616	162,027
Unearned revenue	33,000	-	33,000
Total liabilities	211,748	616	212,364
Fund balances			
Nonspendable			
Inventories	31,348	-	31,348
Prepays	229,087	-	229,087
Restricted			
Law enforcement education	8,738	-	8,738
Capital repair and replacement	1,685,588	-	1,685,588
Reforestation	11,375	-	11,375
Community redevelopment fund	-	627,735	627,735
Debt service fund	-	122,047	122,047
Unassigned			
General fund	2,666,426	-	2,666,426
Total fund balances	4,632,562	749,782	5,382,344
Total liabilities and fund balances	\$ 4,844,310	\$ 750,398	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			20,562,661
Deferred inflows and outflows of resources related to pensions are not available or due, respectively, in the current period and therefore are not reported in the governmental funds.			826,133
Long-term liabilities, including net pension asset/liability, are not due and payable in the current period and therefore, are not reported in the funds.			(3,991,542)
Net position of governmental activities			\$ 22,779,596

See accompanying notes.

City of Lynn Haven, Florida

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

Year Ended September 30, 2016	General Fund	Other Governmental Funds	Total
Revenues			
Taxes			
Gross receipts	\$ 962,067	\$ -	\$ 962,067
Utility	1,575,198	-	1,575,198
Property taxes	3,654,907	291,119	3,946,026
Intergovernmental	2,432,899	-	2,432,899
Licenses and permits	2,127,800	-	2,127,800
Fines and forfeitures	66,518	-	66,518
Charges for services	431,347	-	431,347
Contributions and donations	22,761	-	22,761
Grants	88,786	-	88,786
Interest	8,844	983	9,827
Other fees and miscellaneous	215,317	-	215,317
Total revenues	11,586,444	292,102	11,878,546
Expenditures			
Current			
Legislative	97,718	-	97,718
Executive	446,962	-	446,962
Administration and finance	300,414	-	300,414
Professional services	360,603	-	360,603
Development and planning	227,936	295,881	523,817
Protective inspections	279,621	-	279,621
Public works	340,650	-	340,650
Economic development	21,394	-	21,394
Other general government	363,609	-	363,609
Law enforcement	2,705,688	-	2,705,688
Fire protection	1,260,341	-	1,260,341
Streets	558,512	-	558,512
Fleet management	203,285	-	203,285
Library	213,302	-	213,302
Leisure services	1,440,311	-	1,440,311
Capital outlay	1,189,484	114,969	1,304,453
Debt service			
Principal	-	305,760	305,760
Interest and fiscal charges	930	104,121	105,051
Total expenditures	10,010,760	820,731	10,831,491
Excess (deficit) of revenues over (under) expenditures	1,575,684	(528,629)	1,047,055
Other financing sources (uses)			
Transfers in	-	386,063	386,063
Transfers out	(386,063)	-	(386,063)
Issuance of debt	-	1,674,180	1,674,180
Payments to refunding bond escrow agent	-	(1,648,620)	(1,648,620)
Total other financing sources (uses)	(386,063)	411,623	25,560
Net changes in fund balances	1,189,621	(117,006)	1,072,615
Fund balances - beginning	3,442,941	866,788	4,309,729
Fund balances - ending	\$ 4,632,562	\$ 749,782	\$ 5,382,344

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, 2016

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

Net changes in fund balances - total governmental funds (page 16) \$ 1,072,615

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 441,785

The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments and donations) is to decrease net position. (77,105)

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. 280,200

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). 16,356

Change in net position of governmental activities (page 14) \$ 1,733,851

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, 2016	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Gross receipts	\$ 949,108	\$ 962,067	\$ 962,067	\$ -
Utility taxes	1,315,000	1,575,198	1,575,198	-
Property taxes	3,616,691	3,654,907	3,654,907	-
Intergovernmental	2,252,997	2,432,899	2,432,899	-
Licenses and permits	1,505,220	2,127,800	2,127,800	-
Fines and forfeitures	27,000	66,518	66,518	-
Charges for services	286,622	431,347	431,347	-
Contributions and donations	14,777	22,761	22,761	-
Grants	288,727	88,786	88,786	-
Interest	3,000	8,844	8,844	-
Other fees and miscellaneous	129,082	215,317	215,317	-
Total revenues	10,388,224	11,586,444	11,586,444	-
Expenditures				
Current				
Legislative	111,102	97,718	97,718	-
Executive	435,045	446,962	446,962	-
Administration and finance	295,284	300,414	300,414	-
Professional services	385,119	360,603	360,603	-
Development and planning	241,459	227,936	227,936	-
Protective inspections	176,811	279,621	279,621	-
Public works	339,910	340,650	340,650	-
Economic development	-	21,394	21,394	-
Other general government	493,861	363,609	363,609	-
Law enforcement	3,023,095	2,705,688	2,705,688	-
Fire protection	1,344,525	1,260,341	1,260,341	-
Streets	581,141	558,512	558,512	-
Fleet management	202,777	203,285	203,285	-
Library	206,366	213,302	213,302	-
Leisure services	1,467,700	1,440,311	1,440,311	-
Capital outlay	1,138,534	1,189,484	1,189,484	-
Debt service				
Interest and fiscal charges	950	930	930	-
Total expenditures	10,443,679	10,010,760	10,010,760	-
Excess of revenues over expenditures	(55,455)	1,575,684	1,575,684	-
Other financing sources (uses)				
Transfers out	(157,245)	(386,063)	(386,063)	-
Total other financing sources (uses)	(157,245)	(386,063)	(386,063)	-
Net changes in fund balances	(212,700)	1,189,621	1,189,621	-
Fund balances - beginning	3,442,941	3,442,941	3,442,941	-
Fund balances - ending	\$ 3,230,241	\$ 4,632,562	\$ 4,632,562	\$ -

See accompanying notes.

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

Business-type Activities/Enterprise Funds

September 30, 2016	Water	Sewer	Sanitation	Storm water	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 5,830,718	\$ 1,053,674	\$ 2,627,544	\$ 19,869	\$ 9,531,805
Accounts receivable, net	174,147	168,719	119,749	21,716	484,331
Grants receivable	14,975	13,400	-	-	28,375
Notes receivable	33,286	215,223	-	19,192	267,701
Inventories	71,429	-	3,710	-	75,139
Cash and cash equivalents - restricted	933,796	1,502,697	-	233,758	2,670,251
Total current assets	7,058,351	2,953,713	2,751,003	294,535	13,057,602
Noncurrent assets					
Notes receivable	-	119,841	-	-	119,841
Prepaid bond insurance	35,483	63,859	-	-	99,342
Capital assets					
Land	220,302	1,043,762	-	13,000	1,277,064
Buildings	725,626	516,266	-	-	1,241,892
Vehicles	212,554	172,437	1,594,670	53,460	2,033,121
Improvements	13,897,447	30,765,653	-	3,801,383	48,464,483
Machinery and equipment	1,279,196	1,582,029	418,040	302,078	3,581,343
Construction in progress	1,166,290	445,737	-	2,635,659	4,247,686
Total capital assets	17,501,415	34,525,884	2,012,710	6,805,580	60,845,589
Less accumulated depreciation	5,529,346	14,360,134	972,705	1,100,096	21,962,281
Capital assets, net	11,972,069	20,165,750	1,040,005	5,705,484	38,883,308
Total noncurrent assets	12,007,552	20,349,450	1,040,005	5,705,484	39,102,491
Deferred outflows of resources					
Deferred outflows related to pension	200,721	122,529	105,186	44,844	473,280
Deferred loss on bond refunding	199,635	241,762	-	-	441,397
Total deferred outflows of resources	400,356	364,291	105,186	44,844	914,677
Total assets and deferred outflows of resources	19,466,259	23,667,454	3,896,194	6,044,863	53,074,770

(Continued)

See accompanying notes.

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

Business-type Activities/Enterprise Funds					
September 30, 2016	Water	Sewer	Sanitation	Storm water	Total
Liabilities					
Current liabilities					
Accounts payable	\$ 296	\$ 318	\$ -	\$ 1,589	\$ 2,203
Accrued expenses	12,436	2,745	2,503	1,550	19,234
Accrued interest	60,768	129,698	-	-	190,466
Unearned revenue	215,046	244,208	-	-	459,254
Total current liabilities	288,546	376,969	2,503	3,139	671,157
Noncurrent liabilities					
Customer deposits	429,395	-	-	-	429,395
Due within one year					
Accrued compensated absences	7,293	2,656	2,017	750	12,716
Bonds payable	346,045	1,201,155	-	-	1,547,200
Due in more than one year					
Accrued compensated absences	41,330	15,051	11,431	4,247	72,059
Notes payable	-	-	-	2,046,000	2,046,000
Bonds payable, net of discount	4,407,527	9,930,823	-	-	14,338,350
Net pension liability	536,366	327,422	281,081	119,830	1,264,699
Other postemployment benefits	23,742	15,521	14,281	9,028	62,572
Total noncurrent liabilities	5,791,698	11,492,628	308,810	2,179,855	19,772,991
Deferred inflows of resources					
Deferred inflows related to pension	109,886	67,078	57,585	24,550	259,099
Total deferred inflows of resources	109,886	67,078	57,585	24,550	259,099
Total liabilities and deferred inflows of resources	6,190,130	11,936,675	368,898	2,207,544	20,703,247
Net position					
Net investment in capital assets	7,218,497	9,033,772	1,040,005	3,659,484	20,951,758
Restricted					
Capital repair and replacement	139,580	18,916	-	233,758	392,254
Debt service	359,216	1,483,781	-	-	1,842,997
Unrestricted	5,558,836	1,194,310	2,487,291	(55,923)	9,184,514
Total net position	\$ 13,276,129	\$ 11,730,779	\$ 3,527,296	\$ 3,837,319	\$ 32,371,523

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, 2016	Water	Sewer	Sanitation	Storm water	Total
Operating revenues					
Charges for services	\$ 3,499,378	\$ 3,184,767	\$ 2,671,215	\$ 396,749	\$ 9,752,109
Grants and contributions	14,975	13,400	-	-	28,375
Connection/reconnection fees	178,362	-	-	-	178,362
Delinquent penalties	168,929	-	-	-	168,929
Impact fees	146,442	862,400	-	107,632	1,116,474
Tap fees	65,060	20,913	-	-	85,973
Total operating revenues	4,073,146	4,081,480	2,671,215	504,381	11,330,222
Operating expenses					
Salaries	649,024	370,629	304,528	220,981	1,545,162
Payroll taxes	42,799	25,748	19,758	14,842	103,147
Pension benefit	165,524	78,799	78,570	47,592	370,485
Employee insurance	114,812	30,041	63,848	35,530	244,231
Other postemployment benefit	3,226	1,724	1,508	1,114	7,572
Workers' compensation insurance	9,068	4,899	15,267	9,166	38,400
Total personnel expenses	984,453	511,840	483,479	329,225	2,308,997
Utilities	128,325	375,240	113	284	503,962
Miscellaneous	2,284	3,634	-	-	5,918
Fuel and oil	16,306	8,685	44,049	8,342	77,382
Chlorine and chemicals	21,911	112,030	-	-	133,941
Depreciation	491,670	919,049	111,679	123,010	1,645,408
Repairs and maintenance	137,642	82,452	93,968	10,457	324,519
Professional services	42,469	56,706	-	5,120	104,295
Contractual services	369,221	281,756	772,038	-	1,423,015
Communications	8,649	3,717	572	-	12,938
Uniform rental	6,371	7,428	3,455	3,115	20,369
Dues and subscriptions	2,676	-	-	-	2,676
Training	4,587	1,421	-	300	6,308
Rentals and leases	1,200	3,459	-	-	4,659
Operating supplies	249,749	64,926	3,808	58,587	377,070
Office supplies	10,627	63	-	-	10,690
Tipping fees	-	-	335,847	-	335,847
Travel	64	729	-	-	793
Postage and courier	45,549	1,358	-	-	46,907
Insurance	-	8,650	-	-	8,650
Bad debts	11,510	10,131	6,419	1,234	29,294
Total operating expenses	2,535,263	2,453,274	1,855,427	539,674	7,383,638
Operating income (loss)	1,537,883	1,628,206	815,788	(35,293)	3,946,584

(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, 2016	Water	Sewer	Sanitation	Storm water	Total
Nonoperating revenues (expenses)					
Grants and contributions	\$ 1,357,847	\$ 905,232	\$ -	\$ -	\$ 2,263,079
Miscellaneous	40,590	63,803	26,300	-	130,693
Interest revenue	2,953	4,913	1,815	66	9,747
Interest and amortization	(205,797)	(514,259)	-	-	(720,056)
Total nonoperating revenues (expenses)	1,195,593	459,689	28,115	66	1,683,463
Net income (loss) before transfers	2,733,476	2,087,895	843,903	(35,227)	5,630,047
Transfers in (out)	(21,522)	-	(268,227)	289,749	-
Changes in net position	2,711,954	2,087,895	575,676	254,522	5,630,047
Total net position - beginning	10,564,175	9,642,884	2,951,620	3,582,797	26,741,476
Total net position - ending	\$ 13,276,129	\$ 11,730,779	\$ 3,527,296	\$ 3,837,319	\$ 32,371,523

See accompanying notes.

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

Business-type Activities/Enterprise Funds					
Year Ended September 30, 2016	Water	Sewer	Sanitation	Storm water	Total
Operating activities					
Receipts from customers and users	\$ 4,270,506	\$ 3,913,268	\$ 2,678,641	\$ 488,759	\$ 11,351,174
Payments to suppliers and others	(1,033,719)	(1,072,267)	(1,252,630)	(149,135)	(3,507,751)
Payments for personnel services	(970,956)	(503,392)	(483,876)	(326,419)	(2,284,643)
Net cash provided by operating activities	2,265,831	2,337,609	942,135	13,205	5,558,780
Noncapital financing activities					
Miscellaneous receipts	40,590	63,803	26,300	-	130,693
Payments (to)/from other funds	(21,522)	-	(268,227)	289,749	-
Net cash provided by (used for) noncapital financing activities	19,068	63,803	(241,927)	289,749	130,693
Capital and related financing activities					
Acquisition of capital assets	(760,713)	(570,171)	(689,099)	(271,113)	(2,291,096)
Proceeds from bonds	439,374	1,816,446	-	-	2,255,820
Principal paid on bonds	(779,363)	(2,917,558)	-	-	(3,696,921)
Interest paid on bonds	(201,232)	(533,389)	-	-	(734,621)
Net cash used for capital and related financing activities	(1,301,934)	(2,204,672)	(689,099)	(271,113)	(4,466,818)
Investing activities					
Interest received	2,953	4,913	1,815	66	9,747
Net cash provided by investing activities	2,953	4,913	1,815	66	9,747
Net increase in cash and cash equivalents	985,918	201,653	12,924	31,907	1,232,402
Cash and cash equivalents - beginning	5,778,596	2,354,718	2,614,620	221,720	10,969,654
Cash and cash equivalents - ending	\$ 6,764,514	\$ 2,556,371	\$ 2,627,544	\$ 253,627	\$ 12,202,056
Classified as cash					
Unrestricted	\$ 5,830,718	\$ 1,053,674	\$ 2,627,544	\$ 19,869	\$ 9,531,805
Restricted	933,796	1,502,697	-	233,758	2,670,251
Cash and cash equivalents - ending	\$ 6,764,514	\$ 2,556,371	\$ 2,627,544	\$ 253,627	\$ 12,202,056

(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, 2016	Water	Sewer	Sanitation	Storm water	Total
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 1,537,883	\$ 1,628,206	\$ 815,788	\$ (35,293)	\$ 3,946,584
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	491,670	919,049	111,679	123,010	1,645,408
(Increase) decrease in assets					
Accounts receivable, net	9,290	7,965	7,426	250	24,931
Grants receivable	(14,975)	(13,400)	-	-	(28,375)
Notes receivable	(33,286)	(198,907)	-	(15,872)	(248,065)
Prepays	9,749	5,267	16,413	9,854	41,283
Prepaid bond insurance	1,643	10,282	-	-	11,925
Inventories	16,361	-	(3,710)	-	12,651
(Increase) decrease in deferred outflows of resources					
Deferred outflows related to pension	(14,688)	(8,966)	(7,696)	(3,282)	(34,632)
Increase (decrease) in liabilities					
Accounts payable	(2,332)	(65,431)	(5,064)	(71,550)	(144,377)
Accrued expenses	8,620	1,838	1,625	1,028	13,111
Unearned revenue	215,046	36,130	-	-	251,176
Customer deposits	21,285	-	-	-	21,285
Accrued compensated absences	1,200	4,611	(3,767)	564	2,608
Net pension liability	(44,604)	(27,228)	(23,375)	(9,965)	(105,172)
Other postemployment benefits	3,226	1,724	1,508	1,114	7,572
Increase (decrease) in deferred inflows of resources					
Deferred inflows related to pension	59,743	36,469	31,308	13,347	140,867
Net cash provided by operating activities	\$ 2,265,831	\$ 2,337,609	\$ 942,135	\$ 13,205	\$ 5,558,780
Supplemental disclosure of noncash transactions					
Contributions of capital from developers	\$ 1,357,847	\$ 905,232	\$ -	\$ -	\$ 2,263,079
Capital construction acquired through notes payable	\$ -	\$ -	\$ 2,046,000	\$ -	\$ 2,046,000

See accompanying notes.

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

September 30, 2016	Pension Trust Funds
Assets	
Investment savings	\$ 29,936,819
Interest receivable	19,316
Contributions receivable	20,939
Total assets	29,977,074
Liabilities	
Prepaid city contributions	205,742
Total liabilities	205,742
Net position	
Held in trust for pension benefits	\$ 29,771,332

See accompanying notes.

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

Year Ended September 30, 2016	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 1,054,461
Plan members	263,859
State	244,653
Total contributions	1,562,973
Investment earnings	
Interest	57,201
Dividends	592,218
Net increase in fair value of investments	1,714,767
Total investment earnings	2,364,186
Less investment expenses	(167,873)
Net investment earnings	2,196,313
Total additions	3,759,286
Deductions	
Benefits	1,156,988
Refunds of contributions	50,850
Settlements	769
Total deductions	1,208,607
Change in net position	2,550,679
Net position - beginning	27,220,653
Net position - ending	\$ 29,771,332

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 (GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

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

Reporting Entity

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

Component Unit – Lynn Haven CRA

This report includes financial statements of the funds 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 one component unit as defined by GASB Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements 14 and 34* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which is required to be included in these financial statements.

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.

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

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.

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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statements include financial information for the agency funds. The agency funds of the City 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

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

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

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

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and 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 GAAP. All annual appropriations lapse at fiscal year end.

Florida Statutes provide that it is unlawful to incur 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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

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 debt instruments 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.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in/first-out basis. They are 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. Inventories in proprietary funds are 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, 2016, the City had no capitalized interest.

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 Balance

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, 2016 of \$260,435 is from prepaids and inventories 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, 2016 of \$2,455,483 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, 2016.

Assigned – This category includes resources that are intended to be used for specific purposes, but are 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, 2016.

Unassigned – This category is the residual classification for the City's fund balances. The balance as of September 30, 2016 is \$2,666,426.

Net Position

GASB Statement 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 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, 2016, 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 GAAP 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 April 17, 2017, 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	\$ 31,728,241
Less: accumulated depreciation	11,165,580
<hr/>	
Net adjustment to increase fund balances - total governmental funds to arrive at net position of governmental activities	\$ 20,562,661
<hr/>	

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	\$ 1,859,180
Notes payable	182,552
Compensated absences	317,320
Net pension asset	(508,407)
Net pension liability	1,932,191
Other postemployment benefits	197,743
Accrued interest	10,963
<hr/>	
Net adjustment to decrease fund balances - total governmental funds to arrive at net position of governmental activities	\$ 3,991,542
<hr/> <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 of resources	\$ 1,758,020
Deferred inflows of resources	(931,887)
<hr/>	
Net adjustment to increase fund balances - total governmental funds to arrive at net position of governmental activities	\$ 826,133
<hr/> <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	\$ 1,304,453
Depreciation	(862,668)
<hr/>	
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ 441,785
<hr/> <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:

Debt issued or incurred	
Bond proceeds	\$ (1,674,180)
Refunding payments	1,648,620
Principal repayments	
Notes	116,390
Bonds	189,370
<hr/>	
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net position of governmental activities	\$ 280,200
<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	\$ (19,252)
Deferred outflows of resources	331,255
Deferred inflows of reserouces	(524,146)
Net pension asset	300,718
Net pension liability	(62,631)
Other postemployment benefits	(22,311)
Accrued interest	12,723
<hr/>	
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ 16,356
<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	\$ (77,105)
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ (77,105)
<hr/>	

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 3: BUDGETS

The City adopts budgets on a basis consistent with GAAP except as follows:

The City did not adopt a budget for the debt service fund. The debt service fund revenues and expenditures are budgeted indirectly as transfers to the debt service fund and interest 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, 2016, the City did not hold any investments other than those disclosed below that were considered to be an interest rate risk. The City does not have a policy regarding interest rate risk.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Risk

At September 30, 2016, 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, 2016, accounts receivable in the governmental funds is summarized as follows:

Accounts receivable	\$	11,848
Less: allowance for doubtful accounts		-
<hr/>		
Accounts receivable, net	\$	11,848
<hr/>		

Based on historical receipts and the City's ability to cut off utility 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, 2016, accounts receivable in the proprietary funds is summarized as follows:

Accounts receivable	\$	484,331
Less: allowance for doubtful accounts		-
<hr/>		
Accounts receivable, net	\$	484,331
<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, 2016 is \$128,129 with \$8,288 due within one year.

The City entered into an agreement during the year ended September 30, 2016 to finance certain impact fees related to a new development over a one year period. The City financed \$358,160 over a 12 month period starting in June 2016 at 0% interest with monthly payments of \$29,847. The balance of the notes receivable as of September 30, 2016 is \$268,620. Of this amount \$10,198 is due to the general fund, \$33,286 is due to the water fund, \$18,201 is due to the stormwater fund, and the remaining \$206,935 is due to the sewer fund.

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, 2015	Increases	Decreases	September 30, 2016
Capital assets, not being depreciated				
Land	\$ 2,331,529	\$ -	\$ -	\$ 2,331,529
Construction in progress	250,919	112,536	(250,919)	112,536
Total capital assets, not being depreciated	2,582,448	112,536	(250,919)	2,444,065
Capital assets, being depreciated				
Buildings	3,421,353	-	(98,986)	3,322,367
Improvements	19,064,764	780,321	-	19,845,085
Machinery and equipment	5,666,466	662,515	(212,257)	6,116,724
Total capital assets, being depreciated	28,152,583	1,442,836	(311,243)	29,284,176
Less accumulated depreciation				
Buildings	(1,311,010)	(70,971)	21,881	(1,360,100)
Improvements	(4,450,439)	(439,563)	-	(4,890,002)
Machinery and equipment	(4,775,601)	(352,134)	212,257	(4,915,478)
Total accumulated depreciation	(10,537,050)	(862,668)	234,138	(11,165,580)
Capital assets, being depreciated (net of accumulated depreciation)	17,615,533	580,168	(77,105)	18,118,596
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 20,197,981	\$ 692,704	\$ (328,024)	\$ 20,562,661

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2016:

	Water	Sewer	Sanitation	Storm water	Total
Land	\$ 220,302	\$ 1,043,762	\$ -	\$ 13,000	\$ 1,277,064
Buildings	725,626	516,266	-	-	1,241,892
Improvements	13,897,447	30,765,653	-	3,801,383	48,464,483
Machinery and equipment	1,279,196	1,582,029	418,040	302,078	3,581,343
Vehicles	212,554	172,437	1,594,670	53,460	2,033,121
Construction in progress	1,166,290	445,737	-	2,635,659	4,247,686
Total	17,501,415	34,525,884	2,012,710	6,805,580	60,845,589

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	\$ (180,020)	\$ (450,015)	\$ -	\$ -	\$ (630,035)
Improvements	(4,391,056)	(13,066,286)	-	(755,588)	(18,212,930)
Vehicles	(162,032)	(136,992)	(631,621)	(53,460)	(984,105)
Machinery and equipment	(796,238)	(706,841)	(341,084)	(291,048)	(2,135,211)
Total accumulated Depreciation	(5,529,346)	(14,360,134)	(972,705)	(1,100,096)	(21,962,281)
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 11,972,069	\$ 20,165,750	\$ 1,040,005	\$ 5,705,484	\$ 38,883,308

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

	September 30, 2015	Increases	Decreases	September 30, 2016
Capital assets, not being depreciated				
Land	\$ 1,817,616	\$ -	\$ (540,552)	\$ 1,277,064
Construction in progress	4,622,186	2,202,570	(2,577,070)	4,247,686
Total capital assets, not being depreciated	6,439,802	2,202,570	(3,117,622)	5,524,750
Capital assets, being depreciated				
Buildings	1,434,991	-	(193,099)	1,241,892
Improvements	42,934,764	6,007,824	(478,105)	48,464,483
Vehicles	1,549,419	704,711	(221,009)	2,033,121
Machinery and equipment	2,836,196	806,616	(61,469)	3,581,343
Total capital assets, being depreciated	48,755,370	7,519,151	(953,682)	55,320,839
Less accumulated depreciation				
Buildings	(786,829)	(35,093)	191,887	(630,035)
Improvements	(17,396,177)	(1,292,145)	475,392	(18,212,930)
Vehicles	(1,086,995)	(118,119)	221,009	(984,105)
Machinery and equipment	(1,996,630)	(200,051)	61,470	(2,135,211)
Total accumulated depreciation	(21,266,631)	(1,645,408)	949,758	(21,962,281)

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 7: CAPITAL ASSETS (CONTINUED)

	September 30, 2015	Increases	Decreases	September 30, 2016
Capital assets, being depreciated (net of accumulated depreciation)	\$ 27,488,739	\$ 5,873,743	\$ (3,924)	\$ 33,358,558
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 33,928,541	\$ 8,076,313	\$ (3,121,546)	\$ 38,883,308

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

Governmental activities			
Executive		\$	21,654
Administration and finance			3,429
Development and planning			14,881
Public works			8,424
Other general government			171,611
Law enforcement			72,387
Fire protection			22,989
Streets			255,146
Fleet management			152,008
Library			39,507
Leisure services			64,972
Community redevelopment			35,660
Total depreciation expense – governmental activities		\$	862,668
Business-type activities			
Water		\$	491,670
Sewer			919,049
Sanitation			111,679
Storm water			123,010
Total depreciation expense – business-type activities		\$	1,645,408

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 8: INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2016 were as follows:

Transfers Out	Transfers In	Transfers Out	Transfers In
General fund	Debt service fund	\$ 386,063	\$ (386,063)
Water fund	Storm water fund	21,522	(21,522)
Sanitation fund	Storm water fund	268,227	(268,227)
Total		\$ 675,812	\$ (675,812)

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 were for operating purposes.

NOTE 9: LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

	September 30,			September 30,		Due Within
	2015	Additions	Deductions	2016	One Year	
Bonds payable	\$ 2,022,990	\$ 1,674,180	\$ (1,837,990)	\$ 1,859,180	\$ 217,800	
Notes payable	298,942	-	(116,390)	182,552	64,485	
Accrued compensated absences	298,068	19,252	-	317,320	44,425	
Total	\$ 2,620,000	\$ 1,693,432	\$ (1,954,380)	\$ 2,359,052	\$ 326,710	

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. Current year principal and interest payments on the bonds were 41 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$212,500. Principal and interest paid for the current year and total pledged revenues were \$98,500 and \$240,536, respectively.

\$ 185,000

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

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 2016

On January 1, 2016 the City issued \$3,930,000 sales tax revenue refunding bonds, series 2016. The bond were issued to (1) refund the City's outstanding sales tax revenue refunding bonds, series 2005, (2) fund a required deposit to the reserve account through purchase of a reserve account insurance policy, and (3) pay related costs of issuance. The series 2016 bonds are payable solely from and secured by an irrevocable pledge of the City's half cent sales tax revenues. The bonds are split 43%/57% between governmental/business-type activities. The interest rates are from 1.6% to 2.3% and the bonds mature December 2027. Current year principal and interest payments on the bonds were 2 percent of pledged revenues. The total principal and interest remaining to be pain on the bonds is \$4,415,174. Principal and interest paid for the current year and total pledged revenues were \$32,170 and \$1,737,435 respectively. This is the governmental activities' portion only.

	\$ 1,674,180
Total revenue bonds payable at September 30, 2016	1,859,180
Less: current portion	(217,800)
Revenue bonds at September 30, 2016, net of current portion	\$ 1,641,380

Debt service requirements to maturity on revenue bonds payable at September 30, 2016 are as follows:

Year ending September 30,	Principal	Interest	Total
2017	\$ 217,800	\$ 45,112	\$ 262,912
2018	220,670	38,328	258,998
2019	129,930	31,272	161,202
2020	134,190	23,880	158,070
2021	134,190	21,197	155,387
2022-2026	715,680	67,405	783,085
2027-2028	306,720	6,990	313,710
Total	\$ 1,859,180	\$ 234,184	\$ 2,093,364

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

Notes Payable

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.

	\$ 182,552
Total notes payable at September 30, 2016	182,552
Less: current portion	64,485
Notes payable at September 30, 2016, net of current portion	\$ 118,067

Debt service requirements to maturity on notes payable at September 30, 2016 are as follows:

Year ending September 30,	Principal	Interest	Total
2017	\$ 64,485	\$ 4,781	\$ 69,266
2018	66,507	2,759	69,266
2019	51,560	1,047	52,607
Total	\$ 182,552	\$ 8,587	\$ 191,139

NOTE 10: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

	September 30, 2015	Additions	Deductions	September 30, 2016	Due Within One Year
Bonds payable	\$ 17,326,651	\$ 2,255,820	\$ (3,696,921)	\$ 15,885,550	\$ 1,547,200
Notes payable	-	2,046,000	-	2,046,000	-
Accrued compensated absences	82,167	2,608	-	84,775	12,716
Total	\$ 17,408,818	\$ 4,304,428	\$ (3,696,921)	\$ 18,016,325	\$ 1,559,916

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").

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

The lien on the series 2004 bond on the pledged revenues is on a parity with the lien on the remaining bonds outstanding of the City's capital improvement revenue refunding bonds, series 2005; the City's capital improvement revenue refunding bonds, series 2011; the City's capital improvement revenues bond, series 2014; and the City's capital improvement revenue refunding bonds, series 2015. The interest rates are from 2.0 to 4.0% and the bonds mature December 2016. Current year principal and interest payments on the bonds are 10 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$457,160. Principal and interest paid for the current year and total pledged revenues were \$445,140 and \$4,523,289 respectively. \$ 440,000

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 on the series 2005 bond on the pledged revenues is on a parity with the lien on the remaining bonds outstanding of the City's capital improvement revenue refunding bonds, series 2004; the City's capital improvement revenue refunding bonds, series 2011; the City's capital improvement revenues bond, series 2014; and the City's capital improvement revenue refunding bonds, series 2015. The interest rates are from 3.0 to 5.0% and the bonds mature December 2032. Current year principal and interest payments on the bonds are 16 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$8,646,931. Principal and interest paid for the current year and total pledged revenues were \$716,058 and \$4,523,289 respectively. 6,300,000

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 lien on the series 2011 bond on the pledged revenues is on a parity with the lien on the remaining bonds outstanding of the City's capital improvement revenue refunding bonds, series 2004; the City's capital improvement revenue refunding bonds, series 2005; the City's capital improvement revenues bond, series 2014; and the City's capital improvement revenue refunding bonds, series 2015. The interest rates are from 2.0 to 4.0% and the bonds mature December 2019.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

Current year principal and interest payments on the bonds are 8 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$1,780,450. Principal and interest paid for the current year and total pledged revenues were \$366,600 and \$4,523,289, respectively.

\$ 1,630,000

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 lien on the series 2014 bond on the pledged revenues is on a parity with the lien on the remaining bonds outstanding of the City's capital improvement revenue refunding bonds, series 2004; the City's capital improvement revenue refunding bonds, series 2005; the City's capital improvement revenue refunding bond, series 2011; and the City's capital improvement revenue refunding bonds, series 2015. The interest rates are from 2.0 to 4.0% and the bonds mature in December 2034. Current year 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 \$3,881,963. Principal and interest paid for the current year and total pledged revenues were \$100,475 and \$4,523,289, respectively.

2,715,000

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 lien on the series 2015 bond on the pledged revenues is on a parity with the lien on the remaining bonds outstanding of the City's capital improvement revenue refunding bonds, series 2004; the City's capital improvement revenue refunding bonds, series 2005; the City's capital improvement revenue refunding bonds, series 2011; and the City's capital improvement revenues bond, series 2014. The interest rates are from 2.0 to 4.25% and the bonds mature December 2032. Current year principal and interest payments on the bonds are 6 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$2,990,231. Principal and interest paid for the current year and total pledged revenues were \$278,988 and \$4,523,289, respectively.

2,270,000

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 2016

On January 1, 2016 the City issued \$3,930,000 sales tax revenue refunding bonds, series 2016. The bond were issued to (1) refund the City’s outstanding sales tax revenue refunding bonds, series 2005, (2) fund a required deposit to the reserve account through purchase of a reserve account insurance policy, and (3) pay related costs of issuance. The series 2016 bonds are payable solely from and secured by an irrevocable pledge of the City’s half cent sales tax revenues. The bonds are split 43%/57% between governmental/business-type activities. The interest rates are from 1.6% to 2.3% and the bonds mature December 2027. Current year principal and interest payments on the bonds are 2 percent of pledged revenues. The total principal and interest remaining to be pain on the bonds is \$4,415,174. Principal and interest paid for the current year and total pledged revenues were \$32,170 and \$1,737,435 respectively. This is the business-type activities’ portion only.

	\$ 2,255,820
Total principal obligation at September 30, 2016	15,610,820
Plus: net discount/(premium)	274,730
Less: current portion	(1,547,200)
Principal obligation September 30, 2016, net of current portion	\$ 14,338,350

Debt service requirements to maturity on revenue bonds payable at September 30, 2016 are as follows:

Year ending September 30,	Principal	Net Discount/ (Premium)	Interest	Total
2017	\$ 1,547,200	\$ 22,092	\$ 554,275	\$ 2,123,567
2018	1,254,330	22,092	499,550	1,775,972
2019	1,305,070	22,092	457,756	1,784,918
2020	1,660,810	22,092	406,916	2,089,818
2021	650,810	14,374	367,490	1,032,674
2022-2026	3,614,320	71,870	1,492,132	5,178,322
2027-2031	3,663,280	66,368	786,702	4,516,350
2032-2035	1,915,000	33,750	115,404	2,064,154
Total	\$ 15,610,820	\$ 274,730	\$ 4,680,225	\$ 20,565,775

Notes Payable

In August of 2015, the City approved a change order for \$3,720,000 for a stormwater project which the contractor agreed to finance over 30 years at an interest rate of 2.55%. The project was started in fiscal year 2016 and, as of September 30, 2016, it was estimated that the change order was 55% complete for a total liability of \$2,046,000. The promissory note was signed in March 2017. The note requires payments of \$14,795 monthly and matures March of 2047.

NOTE 11: NET POSITION RESTRICTIONS

The government-wide statement of net position reports \$4,690,734 of restricted net position, of which \$2,714,315 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, 2016.

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 provided from tax increment financing.

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

Restricted for reforestation - This restriction was established to restrict the use of tree replacement fees collected in excess of qualified expenditures for new trees.

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, 2016:

Governmental activities	
Law enforcement education	\$ 8,738
Capital repair and replacement	1,685,588
Debt service	122,047
Reforestation	11,375
Community redevelopment	627,735
Total	\$ 2,455,483
Business-type activities	
Capital repair and replacement	\$ 392,254
Debt service	1,842,997
Total	\$ 2,235,251

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. 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, 2016 the plans had the following membership breakdown:

	General Employees	Police Officers	Firefighters
Inactive plan members or beneficiaries currently receiving benefits	31	13	6
Inactive plan members entitled to but not yet receiving benefits	14	9	-
Active plan members	82	26	20
Total plan membership	127	48	26

Note: This is actual membership as of September 30, 2015. No significant change during 2016.

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 – 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).
- 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. The City manager may opt out of the general employees' pension plan within 60 days 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. 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 \$92,235 to the firefighters' plan, \$153,081 to the police officers' plan, and \$809,145 to the general employees' plan during the year ended September 30, 2016. The annual covered payroll for the year was \$792,315 for the firefighters, \$1,247,810 for the police officers, and \$3,245,125 for the general employees. The percentage of contributions to annual covered payroll for the year for each plan was 12%, 12%, and 25%, 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, 2016 is summarized below:

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

Investment Concentrations

As of September 30, 2016, 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, 2016 is summarized below:

	General Employees	Police Officers	Firefighters
Money-weighted rate of return	9.13%	9.07%	4.98%

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

Deferred Retirement Option Program

The plans include a deferred retirement option program (DROP). DROP requires 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 balances as of September 30, 2016 were \$838,163, \$14,390, and \$0 in the general employees', the police officers', and the firefighters' plans, respectively.

Net Pension Liability

The components of the net pension liability for each pension plan of the City at September 30, 2016, were as follows:

	General Employees	Police Officers	Firefighters
Total pension liability	\$ 19,193,089	\$ 7,489,827	\$ 5,983,050
Plan fiduciary net position	(16,311,350)	(7,998,234)	(5,667,899)
City's net pension liability (asset)	\$ 2,881,739	\$ (508,407)	\$ 315,151

Plan fiduciary net position as a percentage of the total pension liability (asset)	84.99%	106.79%	94.73%
---	--------	---------	--------

At September 30, 2016, the City reported a liability of \$2,881,739 for the pension liability for the General Employees' retirement plan. The net pension liabilities were measured as of September 30, 2016. The total net pension liability was allocated to each fund benefited by the plan.

At September 30, 2016, the City reported an asset of \$508,407 for the pension overfunding for the Police Officers' retirement plan. The net pension liabilities were measured as of September 30, 2016. The total net pension liability was reported in the governmental fund.

At September 30, 2016, the City reported a liability of \$315,151 for the pension liability for the Firefighters' retirement plan. The net pension liabilities were measured as of September 30, 2016. 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, 2016, the City recognized pension expense of \$840,100, \$148,683, and \$141,523 for the general employees', the police officers', and the firefighters' pension plans, respectively.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the general employees' pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 424,368
Change in assumptions	328,787	-
Net difference between projected and actual earnings on pension plan investments	749,625	166,015
Total	\$ 1,078,412	\$ 590,383

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the police officers' pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 326,261
Change in assumptions	153,600	-
Net difference between projected and actual earnings on pension plan investments	376,854	77,676
Total	\$ 530,454	\$ 403,937

At September 30, 2016, 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	\$ -	\$ 140,256
Change in assumptions	218,226	-
Net difference between projected and actual earnings on pension plan investments	404,208	56,410
Total	\$ 622,434	\$ 196,666

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 Ending September 30:	General Employees	Police Officers	Firefighters
2017	\$ 167,433	\$ 58,075	\$ 104,278
2018	167,434	58,076	104,279
2019	185,589	67,992	132,483
2020	(32,427)	(57,626)	41,623
Thereafter	-	-	43,105
Total	\$ 488,029	\$ 126,517	\$ 425,768

Actuarial Assumptions

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2015 using the following actuarial assumptions applied to all measurement periods:

	General Employees	Police Officers	Firefighters
Inflation rate	2.70%	2.70%	2.50%
Salary increases	6.00%	6.50%	6.50%
Investment rate of return	8.00%	8.00%	7.75%

Mortality rates for all pension plans were based on the RP-2000 tables. The assumption rates used were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates used are those outlined in the July 1, 2015 FRS valuation report.

General Employees'

- Healthy Lives – Female: RP-2000 generational, 100% annuitant white collar, scale BB
- Healthy Lives – Male: RP-2000 generational, 50% annuitant white collar/50% annuitant blue collar, scale BB
- Disabled Lives – Female: 100% RP-2000 disabled female set forward two years
- Disabled Lives – Male: 100% RP-2000 disabled mal setback four years

Police Officers'

- Healthy Lives – Female: RP-2000 generational, 100% annuitant white collar, scale BB
- Healthy Lives – Male: RP-2000 generational, 10% annuitant white collar/90% annuitant blue collar, scale BB
- Disabled Lives – Female: 60%% RP-2000 disabled female set forward two years/40% annuitant white collar with no setback, no projection scale
- Disabled Lives – Male: 60% RP-2000 disabled male setback four years/40% annuitant white collar with no setback, no projection scale

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

Firefighters'

- Healthy Lives – Female: RP-2000 generational, 100% annuitant white collar, scale BB
- Healthy Lives – Male: RP-2000 generational, 10% annuitant white collar/90% annuitant blue collar, scale BB
- Disabled Lives – Female: 60%% RP-2000 disabled female set forward two years/40% annuitant white collar with no setback, no projection scale
- Disabled Lives – Male: 60% RP-2000 disabled male setback four years/40% annuitant white collar with no setback, no projection scale

The actuarial assumptions used in the September 30, 2016 valuation were based on an actuarial valuation as of October 1, 2015 updated to September 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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, 2016 are summarized in the following table:

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

Discount Rate

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

Discount rate	General Employees	Police Officers	Firefighters
Discount rate	8.00%	8.00%	7.75%

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.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

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 for the general employees' and police officers' pension and 7.75 percent for the firefighters' pension, 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 6.75 percent) or 1 percentage point higher (9.00 percent or 8.75 percent) than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
City's net pension liability - General Employees' Pension	\$ 4,906,741	\$ 2,881,739	\$ 1,176,558
City's net pension liability (asset) - Police Officers' Pension	316,640	(508,407)	(1,201,029)
City's net pension liability (asset) - Firefighters' Pension	1,056,714	315,151	(298,814)

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, 2016.

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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

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 140 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 5302	Monthly Premiums – Plan 3359	Monthly Premiums – Plan 3769
Retiree	\$ 713	\$ 926	\$ 950
Retiree and spouse	1,698	2,204	2,260
Retiree and children	1,313	1,704	1,748
Retiree and family	2,226	2,889	2,963

The City has not advance funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the City provided contributions of \$12,285 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	\$ 44,048
Amortization of unfunded actuarial accrued liability	-
Annual required contribution	44,048
Interest on net OPEB obligation	9,216
Adjustment to annual required contribution	(11,096)
Annual OPEB cost (expense)	42,168

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

Description	
Contribution toward the OPEB cost	\$ (12,285)
Increase in net OPEB obligation	29,883
Net OPEB obligation, beginning of year	230,432
Net OPEB obligation, end of year	\$ 260,315

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, 2016 was as follows:

Year ended September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 49,751	16%	\$ 186,014
2015	53,165	16%	230,432
2016	42,168	29%	260,315

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, 2016 dated October 1, 2015. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB actuarial valuation method used for the City was the entry age normal actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the City employees. The valuation interest rate was 4%. The actuarial assumptions also include an annual healthcare inflation rate. For the City, this rate begins with an initial rate for the 2016 fiscal year of 8% grading down to 5% in 2020 with an ultimate rate of 4.5% in fiscal year 2021. A payroll growth inflation assumption of 2% for all employees was used. A salary scale assumption of 6% for general employees, and 6.5% for police officers and firefighters was used. The unfunded actuarial accrued liability is being amortized with a level percentage of payroll closed amortization over 27 years.

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, 2015	\$ -	\$ 246,467	\$ 246,467	0.0%	\$ 5,705,597	4.3%
October 1, 2012	-	306,941	306,941	0.0%	5,650,762	5.4%
October 1, 2009	-	281,518	281,518	0.0%	4,925,952	5.7%

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
2014	\$ 8,205	\$ 49,349	17%
2015	8,748	52,766	17%
2016	12,285	44,048	28%

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 Four Fiscal Years**

Year ended September 30,	2016	2015	2014	2013
Total pension liability				
Service cost	\$ 600,171	\$ 623,863	\$ 676,486	\$ 626,376
Interest	1,442,938	1,378,512	1,279,098	1,155,629
Differences between expected and actual experience	(350,889)	(268,672)	-	-
Changes of assumptions	438,382	-	-	-
Employee contributions	(759,152)	(1,040,029)	(280,537)	(296,952)
Net change in total pension liability	1,371,450	693,674	1,675,047	1,485,053
Total pension liability - beginning	17,821,231	17,127,557	15,452,510	13,967,457
Total pension liability - ending (a)	19,192,681	17,821,231	17,127,557	15,452,510
Plan fiduciary net position				
Contributions - employer	887,944	834,900	816,608	730,071
Contributions - member	162,257	163,518	184,927	181,610
Net investment income	1,348,632	(65,358)	1,156,984	1,267,086
Employee contributions	(759,559)	(1,040,029)	(280,537)	(296,952)
Administrative expense	(28,181)	(28,388)	(19,746)	(21,504)
Net change in plan fiduciary net position	1,611,093	(135,357)	1,858,236	1,860,311
Plan fiduciary net position - beginning	14,699,849	14,835,206	12,976,970	11,116,659
Plan fiduciary net position - ending (b)	16,310,942	14,699,849	14,835,206	12,976,970
Net pension liability - ending (a) - (b)	\$ 2,881,739	\$ 3,121,382	\$ 2,292,351	\$ 2,475,540
Plan fiduciary net position as a percentage of the total pension liability	84.99%	82.49%	86.62%	83.98%
Covered-employee payroll	\$ 3,245,125	\$ 4,089,610	\$ 3,698,541	\$ 3,632,195
Net pension liability as a percentage of covered-employee payroll	88.80%	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: For measurement date September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System. The inflation assumption rate was lowered from 3% to 2.7%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

See independent auditor's report.

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

Year ended September 30,	2016		2015		2014		2013	
Actuarially determined contribution	\$	809,145	\$	834,900	\$	816,608	\$	730,071
Contributions in relation to the actuarially determined contribution		887,944		834,900		816,608		730,071
Contribution deficiency (excess)	\$	(78,799)	\$	-	\$	-	\$	-
Covered-employee payroll *	\$	3,245,125	\$	4,089,610	\$	3,698,541	\$	3,632,195
Contributions as a percentage of covered-employee payroll		27.36%		20.42%		22.08%		20.10%

(Continued)

See independent auditor’s report.

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

Notes to schedule

Valuation date: October 1, 2014

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	27 Years (as of 10/1/2014)
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	2.7% 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	1.99% 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.
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% per year.
Termination rate	See table below under “other information.”
Disability rate	See table below under “other information.” It is assumed that 25% of disablements are service related.
Mortality rate	<i>Mortality rate healthy lives</i> Mortality table – RP-2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows Males – 50% annuitant white collar, 50% annuitant blue collar Females – 100% annuitant white collar <i>Mortality rate disabled lives</i> Mortality table – RP-2000 without projection, with the following adjustments Males – 100% disabled male with four year setback Females – 100% disabled female with two year set forward

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%

See independent auditor’s report.

City of Lynn Haven, Florida

**Schedule of Investment Returns – General Employees’ Retirement System –
Last Four Fiscal Years**

Year ended September 30,	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	9.13%	-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 Four Fiscal Years

Year ended September 30,	2016	2015	2014	2013
Total pension liability				
Service cost	\$ 283,018	\$ 309,736	\$ 288,702	\$ 267,317
Interest	564,143	526,808	481,522	436,833
Change in excess state money	25,295	26,971	23,122	-
Differences between expected and actual experience	(331,547)	(91,536)	-	-
Changes of assumptions	192,001	-	-	-
Employee contributions	(258,147)	(245,073)	(205,289)	(128,550)
Net change in total pension liability	474,763	526,906	588,057	575,600
Total pension liability - beginning	7,015,064	6,488,158	5,900,101	5,324,501
Total pension liability - ending (a)	7,489,827	7,015,064	6,488,158	5,900,101
Plan fiduciary net position				
Contributions - employer	193,200	195,344	196,175	236,419
Contributions - State	140,590	117,198	113,349	102,477
Contributions - member	62,391	64,089	68,969	63,303
Net investment income	654,947	(50,536)	571,109	626,409
Employee contributions	(258,148)	(245,073)	(205,289)	(128,550)
Administrative expense	(17,500)	(23,874)	(22,490)	(34,281)
Net change in plan fiduciary net position	775,480	57,148	721,823	865,777
Plan fiduciary net position - beginning	7,222,753	7,165,605	6,443,782	5,578,005
Plan fiduciary net position - ending (b)	7,998,233	7,222,753	7,165,605	6,443,782
Net pension liability/(asset) - ending (a) - (b)	\$ (508,406)	\$ (207,689)	\$ (677,447)	\$ (543,681)
Plan fiduciary net position as a percentage of the total pension liability	106.79%	102.96%	110.44%	109.21%
Covered-employee payroll	\$ 1,247,810	\$ 1,287,209	\$ 1,379,386	\$ 1,266,068
Net pension liability as a percentage of covered-employee payroll	-40.74%	-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: For measurement date September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3% to 2.7%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

See independent auditor's report.

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

Year ended September 30,	2016	2015	2014	2013
Actuarially determined contribution	\$ 268,376	\$ 285,571	\$ 286,402	\$ 326,646
From excess State money reserve	25,295	-	-	-
Contributions in relation to the actuarially determined contribution	283,200	285,571	286,402	326,646
Contribution deficiency (excess)	\$ (40,119)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,247,810	\$ 1,287,209	\$ 1,379,386	\$ 1,266,068
Contributions as a percentage of covered-employee payroll	22.70%	22.19%	20.76%	25.80%

(Continued)

See independent auditor’s report.

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

Notes to schedule

Valuation date: October 1, 2014

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	20 Years (as of 10/1/2014)
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	2.70% 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
Interest rate	8.00% per year compounded annually, net of investment related expenses
Payroll growth	2.13% 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.
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.” It is assumed that 75% of disablements are service related.
Mortality rate	<i>Mortality rate healthy lives</i> Mortality table – RP-2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows Males – 10% annuitant white collar, 90% annuitant blue collar Females – 100% annuitant white collar <i>Mortality rate disabled lives</i> Mortality table – RP-2000 without projection, with the following adjustments Males – 60% disabled male with four year setback, 40% annuitant white collar with no setback, no projection scale Females – 60% disabled female with two year set forward, 40% annuitant white collar with no setback, no projection scale

Other information

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	6.0%
30	0.04%	5.0%
40	0.07%	2.6%
50	0.18%	0.8%

See independent auditor’s report.

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

Year ended September 30,	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	9.07%	-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 Four Fiscal Years**

Year ended September 30,	2016	2015	2014	2013
Total pension liability				
Service cost	\$ 202,696	\$ 189,512	\$ 191,324	\$ 177,152
Interest	395,917	370,363	340,740	312,224
Change in excess State money	7,031	55,979	62,154	-
Differences between expected and actual experience	(92,891)	(74,169)	-	-
Changes of assumptions	245,505	-	-	-
Employee contributions	(191,309)	(167,618)	(152,334)	(141,843)
Net change in total pension liability	566,949	374,067	441,884	347,533
Total pension liability - beginning	5,416,101	5,042,034	4,600,150	4,252,617
Total pension liability - ending (a)	5,983,050	5,416,101	5,042,034	4,600,150
Plan fiduciary net position				
Contributions - employer	179,059	175,202	191,373	178,051
Contributions - state	104,062	98,068	104,243	127,858
Contributions - member	39,616	40,940	41,786	38,336
Net investment income	263,560	(32,874)	509,709	416,896
Employee contributions	(191,309)	(167,618)	(152,334)	(141,843)
Administrative expense	(25,141)	(20,388)	(12,168)	(14,739)
Net change in plan fiduciary net position	369,847	93,330	682,609	604,559
Plan fiduciary net position - beginning	5,298,052	5,204,722	4,522,113	3,917,554
Plan fiduciary net position - ending (b)	5,667,899	5,298,052	5,204,722	4,522,113
Net pension liability/(asset) - ending (a) - (b)	\$ 315,151	\$ 118,049	\$ (162,688)	\$ 78,037
Plan fiduciary net position as a percentage of the total pension liability	94.73%	97.82%	103.23%	98.30%
Covered-employee payroll	\$ 792,315	\$ 826,871	\$ 835,712	\$ 766,714
Net pension liability as a percentage of covered-employee payroll	39.78%	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: For measurement date September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant. The investment rate of return was lowered from 8% to 7.75% per year compounded annual, net of investment related expenses.

See independent auditor's report.

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

Year ended September 30,	2016	2015	2014	2013
Actuarially determined contribution	\$ 189,266	\$ 217,291	\$ 233,462	\$ 228,481
From excess State money reserve	7,031	-	-	-
Contributions in relation to the actuarially determined contribution	269,059	217,291	233,462	228,481
Contribution deficiency (excess)	\$ (86,824)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 792,315	\$ 826,871	\$ 835,712	\$ 766,714
Contributions as a percentage of covered-employee payroll	33.96%	26.28%	27.94%	29.80%

(Continued)

See independent auditor’s report.

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

Notes to schedule

Valuation date: October 1, 2014

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	27 Years (as of 10/1/2014)
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	2.50% 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
Interest rate	7.75% 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.
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% per year.
Termination rate	See table below under “other information.”
Disability rate	See table below under “other information.” It is assumed that 75% of disablements and active member deaths are service related.
Mortality rate	<i>Mortality rate healthy lives</i> Mortality table – RP-2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows Males – 10% annuitant white collar, 90% annuitant blue collar Females – 100% annuitant white collar <i>Mortality rate disabled lives</i> Mortality table – RP-2000 without projection, with the following adjustments: Males – 60% disabled male with four year setback, 40% annuitant white collar with no setback, no projection scale Females – 60% disabled female with two year set forward, 40% annuitant white collar with no setback, no projection scale

Other information

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	6.0%
30	0.04%	5.0%
40	0.07%	2.6%
50	0.18%	0.8%

See independent auditor’s report.

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

Year ended September 30,	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	4.98%	-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, 2016	Community Redevelopment	Debt Service	Other Governmental Funds Total
Assets			
Cash and cash equivalents	\$ 628,351	\$ -	\$ 628,351
Cash and cash equivalents - restricted	-	122,047	122,047
Total assets	\$ 628,351	\$ 122,047	\$ 750,398
Liabilities and fund balances			
Liabilities			
Accrued salaries	\$ 616	\$ -	\$ 616
Total liabilities	616	-	616
Fund balances			
Restricted	627,735	122,047	749,782
Total fund balances	627,735	122,047	749,782
Total liabilities and fund balances	\$ 628,351	\$ 122,047	\$ 750,398

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, 2016	Community Redevelopment	Debt Service	Other Governmental Funds Total
Revenues			
Taxes			
Property taxes	\$ 291,119	\$ -	\$ 291,119
Interest	821	162	983
Total revenues	291,940	162	292,102
Expenditures			
Current			
Development and planning	295,881	-	295,881
Capital outlay	114,969	-	114,969
Debt service			
Principal	-	305,760	305,760
Interest and fiscal charges	-	104,121	104,121
Total expenditures	410,850	409,881	820,731
Excess (deficit) of revenues over (under) expenditures	(118,910)	(409,719)	(528,629)
Other financing sources (uses)			
Transfers in	-	386,063	386,063
Issuance of debt	-	1,674,180	1,674,180
Payments to refunding bond escrow agent	-	(1,648,620)	(1,648,620)
Total other financing sources (uses)	-	411,623	411,623
Net changes in fund balances	(118,910)	1,904	(117,006)
Fund balances - beginning	746,645	120,143	866,788
Fund balances - ending	\$ 627,735	\$ 122,047	\$ 749,782

See independent auditor's report.

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

September 30, 2016	Firefighters' Relief and Pension Trust Fund	Police Officers' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Assets				
Investment savings	\$ 5,627,644	\$ 7,998,233	\$ 16,310,942	\$ 29,936,819
Interest receivable	19,316	-	-	19,316
Contributions receivable	20,939	-	-	20,939
Total assets	5,667,899	7,998,233	16,310,942	29,977,074
Liabilities				
Prepaid city contributions	86,824	40,119	78,799	205,742
Total liabilities	86,824	40,119	78,799	205,742
Net position				
Held in trust for pension benefits	\$ 5,581,075	\$ 7,958,114	\$ 16,232,143	\$ 29,771,332

See independent auditor's report.

City of Lynn Haven, Florida

Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended September 30, 2016	Firefighters' Relief and Pension Trust Fund	Police Officers' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Additions				
Contributions				
Employer	\$ 92,235	\$ 153,081	\$ 809,145	\$ 1,054,461
Plan members	39,616	62,391	161,852	263,859
State	104,063	140,590	-	244,653
Total contributions	235,914	356,062	970,997	1,562,973
Investment income				
Net increase in fair value of investments	173,633	510,502	1,030,632	1,714,767
Interest	57,194	2	5	57,201
Dividends	81,360	167,055	343,803	592,218
	312,187	677,559	1,374,440	2,364,186
Less investment expenses				
Professional fees	65,449	31,016	44,635	141,100
Insurance	-	2,503	2,296	4,799
Bank charges	8,320	6,593	7,061	21,974
Net investment earnings	238,418	637,447	1,320,448	2,196,313
Total additions	474,332	993,509	2,291,445	3,759,286
Deductions				
Benefits	158,962	241,427	756,599	1,156,988
Refunds of contributions	32,347	16,720	1,783	50,850
Settlements	-	-	769	769
Total deductions	191,309	258,147	759,151	1,208,607
Change in net position	283,023	735,362	1,532,294	2,550,679
Net position - beginning	5,298,052	7,222,752	14,699,849	27,220,653
Net position - ending	\$ 5,581,075	\$ 7,958,114	\$ 16,232,143	\$ 29,771,332

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 (City) as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated April 17, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 on Compliance and Other Matters Based on an Audit of 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 those reports, which are dated April 17, 2017, 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 has the following component unit:

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.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes during the year ended September 30, 2016.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition. 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 of the City for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

Other Matters

Section 10.554(1)(i)2., Rules of 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.

Caru, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
April 17, 2017



**CARR
RIGGS &
INGRAM**

CPAs and Advisors

INDEPENDENT ACCOUNTANT'S REPORT

Carr, Riggs & Ingram, LLC
14101 Panama City Beach Parkway
Suite 200
Panama City Beach, FL 32413

(850) 784-6733
(850) 784-4866 (fax)
www.cricpa.com

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

We have examined the City of Lynn Haven, Florida's (City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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
April 17, 2017

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 (City), as of and for the year ended September 30, 2016, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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 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'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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
April 17, 2017