

City of Lynn Haven, Florida

Financial Statements

September 30, 2017



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City of Lynn Haven, Florida
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September 30, 2017

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INDEPENDENT AUDITORS' 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, 2017, 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.

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

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

Opinions

In our opinion, 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, 2017, 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 11, 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 71, and the pension related statements on pages 72 through 87, 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 statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, State of Florida Rules of the Auditor General, and is also not a required part of the basic financial statements. The combining statements and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and the schedule of expenditures of financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018, 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.

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

Certified Public Accountants
Panama City Beach, Florida
June 15, 2018

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 \$63,998,521 (net position). Of this amount, \$5,002,307 is unrestricted net position of the governmental activities and \$10,865,363 is unrestricted net position of the business-type activities, while \$3,453,343 is restricted net position of the governmental activities and \$2,927,792 is restricted net position of the business-type activities. Total net position includes \$19,031,837 net investment in capital assets of the governmental activities and \$22,717,879 of the business-type activities.
- Total net position increased by \$8,847,402. Of this amount, \$4,707,891 is attributable to governmental activities and \$4,139,511 is attributable to business-type activities.
- As of September 30, 2017, the general fund's unassigned fund balance was \$4,311,670 or 33% of total general fund expenditures.
- Governmental activities' revenues and transfers increased to \$15,258,890 or 28%, while governmental activities' expenses increased 4% to \$10,550,999. Business-type activities' revenues and transfers decreased to \$12,521,199 or 9%, while business-type activities' expenses increased 3% to \$8,381,688.

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 of 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 2017 and 2016, 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						
	Governmental Activities		Business-type Activities		Total	
<i>September 30,</i>	2017	2016	2017	2016	2017	2016
Current and other						
assets	\$ 13,171,739	\$ 6,103,115	\$ 15,581,262	\$ 13,276,785	\$ 28,753,001	\$ 19,379,900
Capital assets	24,701,168	20,562,661	40,901,341	38,883,308	65,602,509	59,445,969
Total assets	37,872,907	26,665,776	56,482,603	52,160,093	94,355,510	78,825,869
Deferred outflows						
of resources	1,422,306	1,758,020	795,245	914,677	2,217,551	2,672,697
Current liabilities	2,635,648	223,327	538,985	671,157	3,174,633	894,484
Noncurrent						
liabilities	7,459,570	4,488,986	19,874,174	19,772,991	27,333,744	24,261,977
Total liabilities	10,095,218	4,712,313	20,413,159	20,444,148	30,508,377	25,156,461
Deferred inflows						
of resources	1,712,508	931,887	353,655	259,099	2,066,163	1,190,986
Net position						
Net investment						
in capital assets	19,031,837	18,520,929	22,717,879	20,951,758	41,749,716	39,472,687
Restricted	3,453,343	2,455,483	2,927,792	2,235,251	6,381,135	4,690,734
Unrestricted	5,002,307	1,803,184	10,865,363	9,184,514	15,867,670	10,987,698
Total net position	\$ 27,487,487	\$ 22,779,596	\$ 36,511,034	\$ 32,371,523	\$ 63,998,521	\$ 55,151,119

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 (65%). 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 10% 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 (\$15,867,670) 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	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	\$ 1,076,402	\$ 982,199	\$ 11,863,531	\$ 11,301,847	\$ 12,939,933	\$ 12,284,046
Operating						
grants/contributions	28,055	77,799	-	-	28,055	77,799
Capital						
grants/contributions	1,700,423	33,748	575,930	2,291,454	2,276,353	2,325,202
General revenues						
Property taxes and other						
gross tax receipts	6,268,680	4,908,093	-	-	6,268,680	4,908,093
Utility taxes/franchise						
fees	2,929,143	3,223,268	-	-	2,929,143	3,223,268
Intergovernmental	2,574,616	2,432,899	-	-	2,574,616	2,432,899
Other	681,571	220,540	81,738	140,440	763,309	360,980
Total revenues	15,258,890	11,878,546	12,521,199	13,733,741	27,780,089	25,612,287
Expenses						
General government	2,873,465	2,802,685	-	-	2,873,465	2,802,685
Public safety	4,463,678	4,309,794	-	-	4,463,678	4,309,794
Highways and streets	1,205,718	1,177,888	-	-	1,205,718	1,177,888
Culture/recreation	1,915,224	1,762,000	-	-	1,915,224	1,762,000
Interest on long-term						
debt	92,914	92,328	-	-	92,914	92,328
Water	-	-	2,736,971	2,741,060	2,736,971	2,741,060
Sewer	-	-	2,988,606	2,967,533	2,988,606	2,967,533
Sanitation	-	-	1,992,709	1,855,427	1,992,709	1,855,427
Storm water	-	-	663,402	539,674	663,402	539,674
Total expenses	10,550,999	10,144,695	8,381,688	8,103,694	18,932,687	18,248,389
Change in net position	\$ 4,707,891	\$ 1,733,851	\$ 4,139,511	\$ 5,630,047	\$ 8,847,402	\$ 7,363,898

Governmental activities' revenues exceeded expenses by \$4,707,891, while business-type activities' revenues exceeded expenses by \$4,139,511. Total revenues increased \$2,167,802 from the previous year.

Revenues increased as a result of several factors. Charges for service revenues increased \$655,887, property taxes and other gross receipts increased \$1,360,587, utility taxes and franchise fees decreased \$294,125, and other income increased \$402,329. Total expenses increased \$684,298 from the previous year. Governmental expenses increased \$406,304. Culture/recreation expenses increased \$153,224 and public safety increased by \$153,884. Utility expenses increased \$277,994 which is mainly due to an increase in sanitation expenses of \$137,282 and storm water expenses of \$123,728.

41% of the revenues for governmental activities were generated by property taxes and other gross tax receipts, while most of the governmental resources were expended for public safety (42%), general government (27%), culture and recreation (18%), and highways and streets (11%) activities.

95% of the revenues for the business-type activities were generated by charges for services, while the sewer fund consumed 36% 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, 2017, total assets were \$11,426,076, and total liabilities were \$2,568,818. At the end of fiscal year 2017, unassigned fund balance of the general fund was \$4,374,329, while total fund balance was \$8,857,258.

The general fund's budget was amended during the year to reflect anticipated increases in revenues and 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	
	2017	2016
<i>September 30,</i>		
Water	\$ 6,939,765	\$ 5,558,836
Sewer	1,473,497	1,194,310
Sanitation	2,521,309	2,487,291
Storm water	(69,208)	(55,923)
Total	\$ 10,865,363	\$ 9,184,514

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, 2017, was \$65,602,509 (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:

- Street Resurfacing, 5.88 miles \$ 2,350,670
- Bridge on Arthur Drive, over Lynn Haven Bayou 937,429
- Porter Park boat ramp improvements 371,545
- FEMA grant property acquisition 201,094
- Sheffield Park Improvements 193,614
- Completion of east side, 17th Street ditch piping 1,914,569
- Slip-lining storm drains 106,211
- Cast iron water main pipe replacement and 734,595
- Clay sewer line pipe replacement 527,851
- Purchase of an Autocar ACX garbage truck 257,850

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<i>September 30,</i>						
Land	\$ 2,331,529	\$ 2,331,529	\$ 1,248,886	\$ 1,277,064	\$ 3,580,415	\$ 3,608,593
Construction in progress	653,255	112,536	2,891,973	4,247,686	3,545,228	4,360,222
Buildings	1,893,274	1,962,267	579,691	611,857	2,472,965	2,574,124

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Improvements	\$ 18,240,614	\$ 14,955,083	\$ 33,551,085	\$ 30,251,553	\$ 51,791,699	\$ 45,206,636
Machinery and equipment	1,582,496	1,201,246	2,629,706	2,495,148	4,212,202	3,696,394
Total	\$ 24,701,168	\$ 20,562,661	\$ 40,901,341	\$ 38,883,308	\$ 65,602,509	\$ 59,445,969

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 \$20,141,135. This debt amount represents bonds secured solely by specified revenue sources.

Outstanding Bond Debt

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds payable	\$ 5,551,380	\$ 1,859,180	\$ 14,589,755	\$ 15,885,550	\$ 20,141,135	\$ 17,744,730

Principal repayments during the year on outstanding bond debt totaled \$7,615,000, proceeds from new bonds totaled \$10,000,000, and the net change in discounts and premiums totaled \$11,405. 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

The City's general fund revenues are estimated to increase by \$1.17 million in fiscal year 2018.

Ad valorem taxes are expected to increase by \$141,000, due to an increase in taxable property values of 4%, while maintaining the millage rate at 3.900. Increased development and permitting activity in fiscal year fiscal 2018 indicate that increases to the City's property tax base will continue.

Sales tax revenues are also forecasted to increase by \$204,000 for ½ cent sales tax revenue and by \$827,000 for ½ cent infrastructure sales tax revenue which was collected for only 9 months in the current fiscal year.

For fiscal year 2018, the City's original budget appropriates the use of \$1,929,615 of general fund reserves, however \$3,879,500 in budgeted expenditures are funded from loan proceeds received in FY 2017. The City continues to maintain a healthy, unassigned fund balance. As of September 30, 2017, the unassigned general fund balance is \$4,311,670 which represents 26% of beginning FY 2018 adopted appropriations.

No significant changes to enterprise fund reserves are included in next year's beginning appropriations. User fees for water and sewer utilities and sanitation services remained unchanged for fiscal year 2018, pending recommendations from the City's rate analysis study which is currently underway. However, revenues are

projected to increase due to an increase in the number of utility customers. Storm water fees were increased by 1.9% to assist in funding increased storm water maintenance and evaluation costs.

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, 2017	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 9,231,900	\$ 11,885,036	\$ 21,116,936
Accounts receivable, net	11,355	581,914	593,269
Notes receivable	5,000	8,540	13,540
Grants receivable	676,493	230,875	907,368
Due from other governments	164,485	-	164,485
Prepays	295,868	766	296,634
Inventories	28,375	106,956	135,331
Total current assets	10,413,476	12,814,087	23,227,563
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	1,819,337	2,580,613	4,399,950
Prepaid bond insurance	-	74,542	74,542
Notes receivable	-	112,020	112,020
Net pension asset	938,926	-	938,926
Capital assets			
Nondepreciable	2,984,784	4,140,859	7,125,643
Depreciable, net of accumulated depreciation	21,716,384	36,760,482	58,476,866
Total noncurrent assets	27,459,431	43,668,516	71,127,947
Deferred outflows of resources			
Deferred outflows related to pensions	1,422,306	315,521	1,737,827
Deferred loss on bond refunding	-	479,724	479,724
Total deferred outflows of resources	1,422,306	795,245	2,217,551
Total assets and deferred outflows of resources	39,295,213	57,277,848	96,573,061
Liabilities			
Current liabilities			
Accounts payable	2,435,656	85,553	2,521,209
Accrued expenses	168,571	24,435	193,006
Accrued interest	31,421	136,255	167,676
Unearned revenue	-	292,742	292,742
Total current liabilities	2,635,648	538,985	3,174,633

(Continued)

See accompanying notes.

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

	Primary Government		
September 30, 2017	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Customer deposits	\$ -	\$ 448,435	\$ 448,435
Due within one year			
Accrued compensated absences	39,118	11,810	50,928
Notes payable	66,507	84,730	151,237
Bonds payable	594,670	1,344,330	1,939,000
Due in more than one year			
Accrued compensated absences	240,294	66,924	307,218
Notes payable	51,444	3,593,707	3,645,151
Bonds payable, net of discount	4,956,710	13,245,425	18,202,135
Net pension liability	1,289,018	1,008,151	2,297,169
Other postemployment benefits	221,809	70,662	292,471
Total noncurrent liabilities	7,459,570	19,874,174	27,333,744
Deferred inflows of resources			
Deferred inflows related to pensions	1,712,508	353,655	2,066,163
Total deferred inflows of resources	1,712,508	353,655	2,066,163
Total liabilities and deferred inflows of resources	11,807,726	20,766,814	32,574,540
Net position			
Net investment in capital assets	19,031,837	22,717,879	41,749,716
Restricted			
Law enforcement education	10,194	-	10,194
Capital repair and replacement	1,589,841	1,184,627	2,774,468
Infrastructure tax	1,078,284	-	1,078,284
Reforestation	3,735	-	3,735
Debt service	221,470	1,743,165	1,964,635
Community redevelopment	549,819	-	549,819
Unrestricted	5,002,307	10,865,363	15,867,670
Total net position	\$ 27,487,487	\$ 36,511,034	\$ 63,998,521

See accompanying notes.

City of Lynn Haven, Florida
Statement of Activities

Year Ended September 30, 2017	Net (Expenses) Revenues and Change in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Functions/Programs							
Primary government							
Governmental activities							
Legislative	\$ 96,042	\$ -	\$ -	\$ -	\$ (96,042)	\$ -	\$ (96,042)
Executive	453,615	-	-	-	(453,615)	-	(453,615)
Administration and finance	348,941	-	-	-	(348,941)	-	(348,941)
Professional services	391,960	-	-	-	(391,960)	-	(391,960)
Development and planning	591,389	373,102	-	-	(218,287)	-	(218,287)
Protective inspections	296,305	-	-	-	(296,305)	-	(296,305)
Public works	334,388	-	-	-	(334,388)	-	(334,388)
Economic development	36,737	-	-	-	(36,737)	-	(36,737)
Other general government	620,393	234,557	28,055	1,658,478	1,300,697	-	1,300,697
Law enforcement	2,712,180	206,319	-	20,094	(2,485,767)	-	(2,485,767)
Fire protection	1,455,193	79,207	-	-	(1,375,986)	-	(1,375,986)
Streets	809,959	41,550	-	-	(768,409)	-	(768,409)
Fleet management	395,759	-	-	-	(395,759)	-	(395,759)
Library	314,100	4,109	-	1,069	(308,922)	-	(308,922)
Leisure services	1,601,124	237,090	-	20,782	(1,343,252)	-	(1,343,252)
Interest on long-term debt	92,914	-	-	-	(92,914)	-	(92,914)
Total governmental activities	10,550,999	1,175,934	28,055	1,700,423	(7,646,587)	-	(7,646,587)
Business-type activities							
Water	2,736,971	4,436,802	-	317,080	-	2,016,911	2,016,911
Sewer	2,988,606	4,158,551	-	258,850	-	1,428,795	1,428,795
Sanitation	1,992,709	2,748,242	-	-	-	755,533	755,533
Storm water	663,402	519,936	-	-	-	(143,466)	(143,466)
Total business-type activities	8,381,688	11,863,531	-	575,930	-	4,057,773	4,057,773
Total primary government	\$ 18,932,687	\$ 13,039,465	\$ 28,055	\$ 2,276,353	(7,646,587)	4,057,773	(3,588,814)

(Continued)

See accompanying notes.

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

	Net (Expenses) Revenues and Change in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Year Ended September 30, 2017			
General revenues			
Taxes			
Property taxes	\$ 4,088,057	\$ -	\$ 4,088,057
Utility taxes	1,536,106	-	1,536,106
Other gross receipts	2,180,623	-	2,180,623
Franchise fees	1,393,037	-	1,393,037
Intergovernmental	2,574,616	-	2,574,616
Miscellaneous	508,387	49,113	557,500
Total general revenues	12,280,826	49,113	12,329,939
Interest earnings	73,652	32,625	106,277
Total general revenues and interest	12,354,478	81,738	12,436,216
Change in net position	4,707,891	4,139,511	8,847,402
Net position - beginning	22,779,596	32,371,523	55,151,119
Net position - ending	\$ 27,487,487	\$ 36,511,034	\$ 63,998,521

See accompanying notes.

City of Lynn Haven, Florida
Balance Sheet – Governmental Funds

September 30, 2017	General Fund	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 8,646,672	\$ 585,228	\$ 9,231,900
Accounts receivable, net	11,355	-	11,355
Notes receivable	5,000	-	5,000
Grants receivable	676,493	-	676,493
Prepays	295,829	39	295,868
Due from other governments	164,485	-	164,485
Internal balances	(101,024)	101,024	-
Inventories	28,375	-	28,375
Cash and cash equivalents - restricted	1,698,891	120,446	1,819,337
Total assets	\$ 11,426,076	\$ 806,737	12,232,813
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 2,401,092	\$ 34,564	2,435,656
Accrued expenditures	167,726	845	168,571
Total liabilities	2,568,818	35,409	2,604,227
Fund balances			
Nonspendable			
Inventories	28,375	-	28,375
Prepays	295,829	39	295,868
Restricted			
Law enforcement education	10,194	-	10,194
Capital repair and replacement	1,589,841	-	1,589,841
Infrastructure tax	1,078,284	-	1,078,284
Unspent bond proceeds	1,539,330	-	1,539,330
Reforestation	3,735	-	3,735
Community redevelopment fund	-	549,819	549,819
Debt service fund	-	221,470	221,470
Unassigned			
General fund	4,311,670	-	4,311,670
Total fund balances	8,857,258	771,328	9,628,586
Total liabilities and fund balances	\$ 11,426,076	\$ 806,737	

(Continued)

See accompanying notes.

City of Lynn Haven, Florida
Balance Sheet – Governmental Funds (Continued)

September 30, 2017	General Fund	Other Governmental Funds	Total
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			\$ 24,701,168
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.			(290,202)
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.			(6,552,065)
Net position of governmental activities			\$ 27,487,487

See accompanying notes.

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

Year Ended September 30, 2017	General Fund	Other Governmental Funds	Total
Revenues			
Taxes			
Gross receipts	\$ 2,180,623	\$ -	\$ 2,180,623
Utility	1,536,106	-	1,536,106
Property taxes	3,787,684	300,373	4,088,057
Intergovernmental	2,574,616	-	2,574,616
Licenses and permits	1,910,438	-	1,910,438
Fines and forfeitures	82,221	-	82,221
Charges for services	476,780	-	476,780
Contributions and donations	41,342	-	41,342
Grants	719,707	-	719,707
Interest	69,037	4,615	73,652
Other fees and miscellaneous	607,919	-	607,919
Total revenues	13,986,473	304,988	14,291,461
Expenditures			
Current			
Legislative	96,042	-	96,042
Executive	452,056	-	452,056
Administration and finance	359,637	-	359,637
Professional services	391,960	-	391,960
Development and planning	225,284	316,273	541,557
Protective inspections	296,176	-	296,176
Public works	321,013	-	321,013
Economic development	36,737	-	36,737
Other general government	427,667	-	427,667
Law enforcement	2,680,231	-	2,680,231
Fire protection	1,349,595	-	1,349,595
Streets	539,303	-	539,303
Fleet management	203,883	-	203,883
Library	277,792	-	277,792
Leisure services	1,513,580	-	1,513,580
Capital outlay	4,047,567	65,566	4,113,133
Debt service			
Principal	-	282,401	282,401
Interest and fiscal charges	26,929	45,527	72,456
Total expenditures	13,245,452	709,767	13,955,219
Excess (deficit) of revenues over (under) expenditures	741,021	(404,779)	336,242

(Continued)

See accompanying notes.

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

Year Ended September 30, 2017	General Fund	Other Governmental Funds	Total
Other financing sources (uses)			
Transfers in	\$ -	\$ 426,325	\$ 426,325
Transfers out	(426,325)	-	(426,325)
Issuance of debt	3,910,000	-	3,910,000
Total other financing sources (uses)	3,483,675	426,325	3,910,000
Net changes in fund balances	4,224,696	21,546	4,246,242
Fund balances - beginning	4,632,562	749,782	5,382,344
Fund balances - ending	\$ 8,857,258	\$ 771,328	\$ 9,628,586

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, 2017

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

Net changes in fund balances - total governmental funds (page 19)	\$ 4,246,242
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.	3,187,532
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments and donations) is to increase net position.	950,975
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.	(3,627,599)
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).	(49,259)
Change in net position of governmental activities (page 15)	\$ 4,707,891

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, 2017	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final		Budget-Positive (Negative)
Revenues				
Taxes				
Gross receipts	\$ 923,047	\$ 1,973,323	\$ 2,180,623	\$ 207,300
Utility taxes	1,471,000	1,471,000	1,536,106	65,106
Property taxes	3,710,900	3,711,339	3,787,684	76,345
Intergovernmental	2,914,783	2,452,232	2,574,616	122,384
Licenses and permits	1,720,310	1,821,110	1,910,438	89,328
Fines and forfeitures	58,700	69,299	82,221	12,922
Charges for services	329,562	415,662	476,780	61,118
Contributions and donations	6,000	32,925	41,342	8,417
Grants	515,303	728,573	719,707	(8,866)
Interest	5,950	35,835	69,037	33,202
Other fees and miscellaneous	124,082	575,704	607,919	32,215
Total revenues	11,779,637	13,287,002	13,986,473	699,471
Expenditures				
Current				
Legislative	96,053	99,062	96,042	3,020
Executive	453,185	464,639	452,056	12,583
Administration and finance	309,470	363,288	359,637	3,651
Professional services	364,552	457,044	391,960	65,084
Development and planning	241,780	240,212	225,284	14,928
Protective inspections	207,007	296,535	296,176	359
Public works	340,920	329,937	321,013	8,924
Economic development	32,240	48,000	36,737	11,263
Other general government	386,700	1,067,801	427,667	640,134
Law enforcement	2,980,107	2,849,350	2,680,231	169,119
Fire protection	1,301,645	1,383,621	1,349,595	34,026
Streets	588,301	589,058	539,303	49,755
Fleet management	203,880	206,997	203,883	3,114
Library	289,070	207,426	277,792	(70,366)
Leisure services	1,574,407	1,642,006	1,513,580	128,426
Capital outlay	2,007,632	3,592,198	4,047,567	(455,369)
Debt service				
Interest and fiscal charges	950	26,950	26,929	21
Total expenditures	11,377,899	13,864,124	13,245,452	618,672
Excess (deficit) of revenues over (under) expenditures	401,738	(577,122)	741,021	1,318,143

(Continued)

See accompanying notes.

City of Lynn Haven, Florida

**Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget and Actual – General Fund (Continued)**

Year Ended September 30, 2017	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Other financing sources (uses)				
Transfers out	\$ (322,426)	\$ (325,301)	\$ (426,325)	\$ (101,024)
Issuance of debt	-	3,910,000	3,910,000	-
Total other financing sources (uses)	(322,426)	3,584,699	3,483,675	(101,024)
Net changes in fund balances	79,312	3,007,577	4,224,696	1,217,119
Fund balances - beginning	4,632,562	4,632,562	4,632,562	-
Fund balances - ending	\$ 4,711,874	\$ 7,640,139	\$ 8,857,258	\$ 1,217,119

See accompanying notes.

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

Business-type Activities/Enterprise Funds					
September 30, 2017	Water	Sewer	Sanitation	Storm water	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 7,210,748	\$ 1,794,820	\$ 2,667,802	\$ 211,666	\$ 11,885,036
Accounts receivable, net	219,779	201,746	134,900	25,489	581,914
Grants receivable	60,175	170,700	-	-	230,875
Notes receivable	-	8,540	-	-	8,540
Prepays	324	163	156	123	766
Inventories	103,163	-	3,793	-	106,956
Cash and cash equivalents - restricted	962,248	1,384,491	-	233,874	2,580,613
Total current assets	8,556,437	3,560,460	2,806,651	471,152	15,394,700
Noncurrent assets					
Notes receivable	-	112,020	-	-	112,020
Prepaid bond insurance	24,390	50,152	-	-	74,542
Capital assets					
Land	220,302	1,015,584	-	13,000	1,248,886
Buildings	725,626	516,266	-	-	1,241,892
Vehicles	212,554	172,437	1,642,631	102,349	2,129,971
Improvements	13,897,447	30,765,653	-	8,457,821	53,120,921
Machinery and equipment	1,343,785	1,671,818	420,020	392,078	3,827,701
Construction in progress	1,900,885	973,588	-	17,500	2,891,973
Total capital assets	18,300,599	35,115,346	2,062,651	8,982,748	64,461,344
Less accumulated depreciation	6,003,544	15,301,250	1,011,172	1,244,037	23,560,003
Capital assets, net	12,297,055	19,814,096	1,051,479	7,738,711	40,901,341
Total noncurrent assets	12,321,445	19,976,268	1,051,479	7,738,711	41,087,903
Deferred outflows of resources					
Deferred outflows related to pensions	133,815	81,686	70,123	29,897	315,521
Deferred loss on bond refunding	223,105	256,619	-	-	479,724
Total deferred outflows of resources	356,920	338,305	70,123	29,897	795,245
Total assets and deferred outflows of resources	21,234,802	23,875,033	3,928,253	8,239,760	57,277,848

(Continued)

See accompanying notes.

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

Business-type Activities/Enterprise Funds					
September 30, 2017	Water	Sewer	Sanitation	Storm water	Total
Liabilities					
Current liabilities					
Accounts payable	\$ 7,036	\$ 56,826	\$ 21,691	\$ -	\$ 85,553
Accrued expenses	14,955	3,591	3,430	2,459	24,435
Accrued interest	38,423	97,832	-	-	136,255
Unearned revenue	178,974	113,768	-	-	292,742
Total current liabilities	239,388	272,017	25,121	2,459	538,985
Noncurrent liabilities					
Customer deposits	448,435	-	-	-	448,435
Due within one year					
Accrued compensated absences	7,010	2,129	1,758	913	11,810
Notes payable	-	-	-	84,730	84,730
Bonds payable	405,481	938,849	-	-	1,344,330
Due in more than one year					
Accrued compensated absences	39,720	12,066	9,965	5,173	66,924
Notes payable	-	-	-	3,593,707	3,593,707
Bonds payable, net of discount	4,136,994	9,108,431	-	-	13,245,425
Net pension liability	427,562	261,004	224,063	95,522	1,008,151
Other postemployment benefits	27,219	17,190	15,958	10,295	70,662
Total noncurrent liabilities	5,492,421	10,339,669	251,744	3,790,340	19,874,174
Deferred inflows of resources					
Deferred inflows related					
to pensions	149,988	91,558	78,600	33,509	353,655
Total deferred inflows of resources	149,988	91,558	78,600	33,509	353,655
Total liabilities and deferred inflows of resources	5,881,797	10,703,244	355,465	3,826,308	20,766,814
Net position					
Net investment in capital assets	7,754,580	9,766,816	1,051,479	4,145,004	22,717,879
Restricted					
Capital repair and replacement	281,061	565,910	-	337,656	1,184,627
Debt service	377,599	1,365,566	-	-	1,743,165
Unrestricted	6,939,765	1,473,497	2,521,309	(69,208)	10,865,363
Total net position	\$ 15,353,005	\$ 13,171,789	\$ 3,572,788	\$ 4,413,452	\$ 36,511,034

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, 2017	Water	Sewer	Sanitation	Storm water	Total
Operating revenues					
Charges for services	\$ 3,850,331	\$ 3,427,205	\$ 2,748,242	\$ 416,154	\$ 10,441,932
Connection/reconnection fees	187,839	-	-	-	187,839
Delinquent penalties	168,627	-	-	-	168,627
Impact fees	177,483	712,065	-	103,782	993,330
Tap fees	52,522	19,281	-	-	71,803
Total operating revenues	4,436,802	4,158,551	2,748,242	519,936	11,863,531
Operating expenses					
Salaries	676,739	341,195	322,240	239,796	1,579,970
Payroll taxes	45,697	24,171	21,005	16,417	107,290
Pension benefit	140,885	67,582	71,319	50,456	330,242
Employee insurance	121,218	36,631	67,907	29,480	255,236
Other postemployment benefit	3,477	1,669	1,677	1,267	8,090
Workers' compensation insurance	11,720	5,735	16,447	14,285	48,187
Total personnel expenses	999,736	476,983	500,595	351,701	2,329,015
Utilities	131,184	372,422	113	304	504,023
Miscellaneous	2,162	-	-	-	2,162
Fuel and oil	18,916	10,573	54,671	11,492	95,652
Chlorine and chemicals	25,948	99,309	-	-	125,257
Depreciation	529,557	956,807	188,713	143,941	1,819,018
Repairs and maintenance	106,780	129,717	74,261	29,818	340,576
Professional services	43,170	149,282	-	4,370	196,822
Contractual services	355,677	266,856	723,389	-	1,345,922
Communications	8,489	2,676	572	440	12,177
Uniform rental	6,931	8,117	4,598	3,815	23,461
Dues and subscriptions	2,565	-	-	-	2,565
Training	1,841	2,217	-	-	4,058
Rentals and leases	2,370	3,449	-	-	5,819
Operating supplies	188,630	76,044	6,722	69,113	340,509
Office supplies	15,355	-	-	-	15,355
Tipping fees	-	-	367,905	-	367,905
Travel	1,294	-	-	-	1,294
Postage and courier	45,449	2,485	-	-	47,934
Insurance	-	9,087	-	-	9,087
Loss on disposition of assets	-	-	64,359	-	64,359
Bad debts	13,236	10,371	6,811	1,198	31,616
Total operating expenses	2,499,290	2,576,395	1,992,709	616,192	7,684,586
Operating income (loss)	1,937,512	1,582,156	755,533	(96,256)	4,178,945

(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, 2017	Water	Sewer	Sanitation	Storm water	Total
Nonoperating revenues (expenses)					
Grants and contributions	\$ 317,080	\$ 258,850	\$ -	\$ -	\$ 575,930
Miscellaneous	44,887	4,226	-	-	49,113
Interest revenue	15,078	7,989	9,443	115	32,625
Interest and amortization	(237,681)	(412,211)	-	(47,210)	(697,102)
Total nonoperating revenues (expenses)	139,364	(141,146)	9,443	(47,095)	(39,434)
Net income (loss) before transfers	2,076,876	1,441,010	764,976	(143,351)	4,139,511
Transfers in (out)	-	-	(719,484)	719,484	-
Changes in net position	2,076,876	1,441,010	45,492	576,133	4,139,511
Total net position - beginning	13,276,129	11,730,779	3,527,296	3,837,319	32,371,523
Total net position - ending	\$ 15,353,005	\$ 13,171,789	\$ 3,572,788	\$ 4,413,452	\$ 36,511,034

See accompanying notes.

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

Business-type Activities/Enterprise Funds					
Year Ended September 30, 2017	Water	Sewer	Sanitation	Storm water	Total
Operating activities					
Receipts from customers and users	\$ 4,362,224	\$ 4,052,288	\$ 2,733,091	\$ 535,355	\$ 11,682,958
Payments to suppliers and others	(984,222)	(1,072,553)	(1,217,590)	(122,262)	(3,396,627)
Payments for personnel services	(997,429)	(479,075)	(500,656)	(348,838)	(2,325,998)
Net cash provided by operating activities	2,380,573	2,500,660	1,014,845	64,255	5,960,333
Noncapital financing activities					
Miscellaneous receipts	44,887	4,226	-	-	49,113
Payments (to)/from other funds	-	-	(719,484)	719,484	-
Net cash provided by (used for) noncapital financing activities	44,887	4,226	(719,484)	719,484	49,113
Capital and related financing activities					
Acquisition of capital assets	(854,543)	(636,653)	(277,146)	(503,168)	(2,271,510)
Proceeds from sale of capital assets	-	31,500	12,600	-	44,100
Proceeds from capital grants and contributions	317,080	258,850	-	-	575,930
Proceeds from bonds and notes	439,374	1,816,446	-	-	2,255,820
Principal paid on bonds and notes	(650,471)	(2,901,144)	-	(41,563)	(3,593,178)
Interest paid on bonds and notes	(283,496)	(458,934)	-	(47,210)	(789,640)
Net cash used for capital and related financing activities	(1,032,056)	(1,889,935)	(264,546)	(591,941)	(3,778,478)
Investing activities					
Interest received	15,078	7,989	9,443	115	32,625
Net cash provided by investing activities	15,078	7,989	9,443	115	32,625
Net increase in cash and cash equivalents	1,408,482	622,940	40,258	191,913	2,263,593
Cash and cash equivalents - beginning	6,764,514	2,556,371	2,627,544	253,627	12,202,056
Cash and cash equivalents - ending	\$ 8,172,996	\$ 3,179,311	\$ 2,667,802	\$ 445,540	\$ 14,465,649
Classified as cash					
Unrestricted	\$ 7,210,748	\$ 1,794,820	\$ 2,667,802	\$ 211,666	\$ 11,885,036
Restricted	962,248	1,384,491	-	233,874	2,580,613
Cash and cash equivalents - ending	\$ 8,172,996	\$ 3,179,311	\$ 2,667,802	\$ 445,540	\$ 14,465,649

(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, 2017	Water	Sewer	Sanitation	Storm water	Total
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 1,937,512	\$ 1,582,156	\$ 755,533	\$ (96,256)	\$ 4,178,945
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	529,557	956,807	188,713	143,941	1,819,018
Loss on disposition of assets	-	-	64,359	-	64,359
(Increase) decrease in assets					
Accounts receivable, net	(45,632)	(33,027)	(15,151)	(3,773)	(97,583)
Grants receivable	(45,200)	(157,300)	-	-	(202,500)
Notes receivable	33,286	214,504	-	19,192	266,982
Prepays	(324)	(163)	(156)	(123)	(766)
Prepaid bond insurance	11,093	13,707	-	-	24,800
Inventories	(31,734)	-	(83)	-	(31,817)
(Increase) decrease in deferred outflows of resources					
Deferred outflows related to pensions	66,906	40,843	35,063	14,947	157,759
Deferred loss on bond refunding					
Increase (decrease) in liabilities					
Accounts payable	6,740	56,508	21,691	(1,589)	83,350
Accrued expenses	2,519	846	927	909	5,201
Unearned revenue	(36,072)	(130,440)	-	-	(166,512)
Customer deposits	19,040	-	-	-	19,040
Accrued compensated absences	(1,893)	(3,512)	(1,725)	1,089	(6,041)
Net pension liability	(108,804)	(66,418)	(57,018)	(24,308)	(256,548)
Other postemployment benefits	3,477	1,669	1,677	1,267	8,090
Increase (decrease) in deferred inflows of resources					
Deferred inflows related to pensions	40,102	24,480	21,015	8,959	94,556
Net cash provided by operating activities	\$ 2,380,573	\$ 2,500,660	\$ 1,014,845	\$ 64,255	\$ 5,960,333

Supplemental disclosure of noncash transactions

Capital construction acquired through notes payable	\$	-	\$	-	\$	-	\$ 1,674,000	\$ 1,674,000
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See accompanying notes.

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

September 30, 2017	Pension Trust Funds
Assets	
Investment savings	\$ 32,597,922
Interest receivable	17,215
Contributions receivable	3,539
Total assets	32,618,676
Liabilities	
Prepaid city contributions	178,774
Other payables	17,305
Total liabilities	196,079
Net position	
Held in trust for pension benefits	\$ 32,422,597

See accompanying notes.

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

Year Ended September 30, 2017	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 1,024,029
Plan members	273,811
State	204,375
Total contributions	1,502,215
Investment earnings	
Interest	58,322
Dividends	636,769
Miscellaneous	2,240
Net increase in fair value of investments	2,395,861
Total investment earnings	3,093,192
Less investment expenses	(195,958)
Net investment earnings	2,897,234
Total additions	4,399,449
Deductions	
Benefits	1,678,836
Refunds of contributions	69,348
Total deductions	1,748,184
Change in net position	2,651,265
Net position - beginning	29,771,332
Net position - ending	\$ 32,422,597

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 except for grant revenues which are considered available if they are expected to be collected within one year. 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, certificates of deposits with maturities of up to one year, 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:

Buildings	20-50 Years
Improvements	20-50 Years
Machinery and equipment	5-10 Years
Vehicles	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, 2017, 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, 2017 of \$324,243 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, 2017 of \$4,992,673 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, 2017.

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, 2017.

Unassigned – This category is the residual classification for the City's fund balances. The balance as of September 30, 2017 is \$4,311,670.

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.

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 of 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017, was 3.9000 mills.

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

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

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

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

Estimates

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

Reclassifications

Certain reclassifications have been made to the 2016 financial statements presentation to conform to the 2017 presentation.

Subsequent events

Management of the City has evaluated subsequent events through June 15, 2018, the date the financial statements were available to be issued.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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	\$ 36,634,861
Less: accumulated depreciation	11,933,693
<hr/>	
Net adjustment to increase fund balances - total governmental funds	
to arrive at net position of governmental activities	\$ 24,701,168
<hr/>	

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	\$ 5,551,380
Notes payable	117,951
Compensated absences	279,412
Net pension asset	(938,926)
Net pension liability	1,289,018
Other postemployment benefits	221,809
Accrued interest	31,421
<hr/>	
Net adjustment to decrease fund balances - total governmental funds	
to arrive at net position of governmental activities	\$ 6,552,065
<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	\$ 1,422,306
Deferred inflows of resources	(1,712,508)
<hr/>	
Net adjustment to increase fund balances - total governmental funds	
to arrive at net position of governmental activities	\$ (290,202)
<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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

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	\$ 4,113,133
Depreciation	(925,601)
<hr/>	
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ 3,187,532
<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 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	\$ (3,910,000)
Principal repayments	
Notes	64,601
Bonds	217,800
<hr/>	
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net position of governmental activities	\$ (3,627,599)
<hr/> <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	\$ 37,908
Deferred outflows of resources	(335,714)
Deferred inflows of reserouces	(780,621)
Net pension asset	430,519
Net pension liability	643,173
Other postemployment benefits	(24,066)
Accrued interest	(20,458)
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activies	\$ (49,259)
<hr/> <hr/>	

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

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

Donation of assets	\$	967,429
Loss on sale of assets		(16,454)
<hr/>		
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$	950,975
<hr/>		

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

\$26,402,249 of the City's deposits are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro rata basis.

Custodial Risk

At September 30, 2017, the City did not hold any investments that were considered to be a custodial risk.

Investments - City

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.

NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Fiduciary Funds

The City's three pension boards have established separate investment policies that outline the type of investments allowed for the pension funds. The General Employees' Retirement Plan policy and the Police Retirement Plan policy are identical while the Firefighters' Retirement Plan policy is unique.

General Employees' and Police Retirement System

Authorized Investments

- Time, savings, and money market deposit accounts of a national bank, a state bank, or a savings and loan institution, insured by the Federal Deposit Insurance Corporation, provided the amount deposited does not exceed the insured amount, and the cash instruments have a quality rating of at least Standard & Poor's A1 or Moody's P1.
- Obligations issued by the US Government or obligations guaranteed as to principal and interest by the U.S. Government or by an Agency of the US Government.
- Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the US or the District of Columbia the corporation is listed on one more of the recognized national exchanges or on the National Market System of the NASDAQ stock market or OTC.
- Guaranteed investment contracts.
- Treasury inflation indexed securities.
- Equity investment (common stock, convertible bonds, and preferred stock) in a corporation listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market or OTC.
- Real Estate is restricted to Real Estate Investment Trusts that trade on a recognized major exchange or on the National Market System of the NASDAQ stock market or PTC. REITS shall be considered an alternative asset class and are not permissible unless allowed by City Ordinance.
- Exchange trade funds (ETF), commingled stock, bond, or money market funds and institutional mutual funds whose investments are restricted to securities meeting the investment guidelines of the policy.

Limitations

- Investments in corporate common stock and convertible bonds shall not exceed 65% of total assets.
- Not more than 5% of the total Fund's assets at cost shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- Foreign equity investments are limited to 25% of total assets.
- Illiquid investments, as described in Chapter 215.47, Florida Statutes, are prohibited.
- All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.
- The following investments are prohibited:
 - Bonds issued by any state or municipality
 - Futures (excluding indexed mutual funds or ETFs)
 - General obligations issued by a foreign government
 - Hedge funds
 - Insurance annuities
 - Internally managed assets

NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)

- Limited partnerships
- Margin accounts
- Options (excluding index mutual funds or ETFs)
- Private equity
- Private mortgages
- Securities lending (unless authorized by the Board)
- Under Protecting Florida's Investment Act, scrutinized companies published by the State Board of Administration, unless an indirect investment is unable to divest, as provided for in Florida Statutes, section 215.473.

Firefighters' Retirement System

- Equities - must be traded on a national exchange or electronic network, not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company (this restriction shall not apply to any single holding within a diversified pooled fund); and additional criteria, if any, outlined in the manager's addendum.
- Fixed Income - all fixed income investments at purchase must have a minimum rating of "BBB" or higher as reported by a major credit rating service; except no more than 10% of the total portfolio may be in securities below this rating criteria, the value of bonds issued by any single corporation shall not exceed 3% of the total fund (excluding issues from the US Government, or agency thereof; and this restriction shall not apply to any single holding within a diversified pooled fund); and additional criteria, if any, outlined in the manager's addendum.
- Money Market - the money market fund or STIF options provided by the Plan's custodian and have a minimum rating of Standard and Poor's A1 or Moody's P1.
- Pooled funds - pooled funds may include mutual funds, commingled funds, and exchange-traded funds.
- Limitations - investments in corporate common stock and convertible bonds shall not exceed 70% of the Plan assets at market, foreign securities shall not exceed 25% of the Plan's market value, and all equity and fixed income securities must be readily marketable. Any commingled funds must be independently appraised at least annually.
- Absolute restrictions - no investments shall be permitted in any investment not specifically allowed as part of this policy or illiquid investments, as described in Chapter 215.47, Florida Statutes.
- Manager's addendum guidelines for large cap equity is as follows:
 - The diversification of the equities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However the overall manager's portfolio characteristics should exhibit a large capitalization basis with a "Core" focus.
 - Foreign securities including American Depository Receipts (ADRs) are limited to 10% of the manager's portfolio.
 - Investment in cash and equivalents shall generally not exceed 10%.
 - Not more than 5% of the manager's assets, at the time of purchase, shall be invested in the common stock, capital stock, or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
 - Short sales are prohibited.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)

- The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- No equities may be purchased which are not publically traded.
- No use may be made of margin or leverage purchases.
- No direct commodities are to be purchased.
- Manager’s addendum guidelines for fixed income is as follows:
 - All fixed income investments at purchase must have a minimum rating of “BBB” or higher as reported by a major credit rating service.
 - Yankee bonds may not exceed 10% of the manager’s portfolio.
 - Non-U.S. dollar denominated bonds are prohibited.
 - The value of the bonds issued by any single corporation shall not exceed 7% of the manager’s portfolio (excluding issues from the US government, or agency thereof; and this restriction shall not apply to any single holding within a diversified pooled fund.)
 - There is no limit imposed on investments in fixed income securities issued directly by the US Government or agency or instrumentality thereof.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business. All of the investments are held in safe keeping by the financial institution counterparty in the financial institution’s general customer account name.

Credit Risk

The City has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments listed in Florida Statutes, Section 218.415. The fiduciary fund’s investment policy, as list above, requires investments to meet the established approved requirements and to be monitored by the third party investment manager.

Interest Rate Risk

At September 30, 2017, the City did not hold any investments that were considered to be an interest rate risk. The City does not have a policy regarding interest rate risk.

Concentrations of Credit Risk

At September 30, 2017, the City’s and fiduciary fund’s deposits consisted of the following:

	Carrying Amount	Market Value
Demand deposits - City	\$ 26,402,249	\$ 26,402,249
Demand deposits - Fiduciary funds	-	-
Total demand deposits	\$ 26,402,249	\$ 26,402,249

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)

The fiduciary funds categorized their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The pensions have the following recurring fair value measurements as of September 30, 2017:

	Fair Value	Level 1	Level 2	Level 3
Investments, at fair value				
Money market	\$ 319,062	\$ 319,062	\$ -	\$ -
Common stock	1,587,199	1,587,199	-	-
Corporate bonds	1,060,299	954,711	105,588	-
Exchange traded funds - equity	10,496,081	10,496,081	-	-
Exchange traded funds - fixed income	11,359,038	11,359,038	-	-
Exchange traded funds - interenational	4,149,066	4,149,066	-	-
Foreign stock	108,553	108,553	-	-
Mortgage backed securities	484,997	-	484,997	-
Mutual funds - equity	1,735,257	1,735,257	-	-
Mutual funds - international equity	558,864	558,864	-	-
Real estate investment trust	86,808	86,808	-	-
U.S. government obligations	607,199	607,199	-	-
Total investments, at fair value	\$ 32,552,424	\$ 31,961,838	\$ 590,585	\$ -

None of the pension plans hold investments in any one organization at year end that represent 5% or more of the pension plan's fiduciary net position.

NOTE 5: ACCOUNTS RECEIVABLE

The City reports general fund receivables at their gross value and, where appropriate, are reduced by an allowance for doubtful accounts. As of September 30, 2017 all amounts are considered collectible so no allowance for doubtful accounts is recorded. At September 30, 2017, accounts receivable in the governmental funds is summarized as follows:

Accounts receivable	\$ 11,355
Less: allowance for doubtful accounts	-
Accounts receivable, net	\$ 11,355

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, 2017, accounts receivable in the proprietary funds is summarized as follows:

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 5: ACCOUNTS RECEIVABLE (CONTINUED)

Accounts receivable	\$	581,914
Less: allowance for doubtful accounts		-
Accounts receivable, net	\$	581,914

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, 2017 is \$120,560 with \$8,540 due within one year.

NOTE 7: CAPITAL ASSETS

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

	September 30, 2016	Increases	Decreases	Transfers	September 30, 2017
Capital assets, not being depreciated					
Land	\$ 2,331,529	\$ -	\$ -	\$ -	\$ 2,331,529
Construction in progress	112,536	582,596	(13,012)	(28,865)	653,255
Total capital assets, not being depreciated	2,444,065	582,596	(13,012)	(28,865)	2,984,784
Capital assets, being depreciated					
Buildings	3,322,367	-	-	-	3,322,367
Improvements	19,845,085	3,713,395	(25,029)	28,865	23,562,316
Machinery and equipment	6,116,724	784,567	(135,897)	-	6,765,394
Total capital assets, being depreciated	29,284,176	4,497,962	(160,926)	28,865	33,650,077
Less accumulated depreciation					
Buildings	(1,360,100)	(68,993)	-	-	(1,429,093)
Improvements	(4,890,002)	(454,337)	22,637	-	(5,321,702)
Machinery and equipment	(4,915,478)	(402,271)	134,851	-	(5,182,898)
Total accumulated depreciation	(11,165,580)	(925,601)	157,488	-	(11,933,693)

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 7: CAPITAL ASSETS (CONTINUED)

	September 30, 2016	Increases	Decreases	Transfers	September 30, 2017
Capital assets, being depreciated (net of accumulated depreciation)	\$ 18,118,596	\$ 3,572,361	\$ (3,438)	\$ 28,865	\$ 21,716,384
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 20,562,661	\$ 4,154,957	\$ (16,450)	-	\$ 24,701,168

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2017:

	Water	Sewer	Sanitation	Storm water	Total
Land	\$ 220,302	\$ 1,015,584	\$ -	\$ 13,000	\$ 1,248,886
Buildings	725,626	516,266	-	-	1,241,892
Improvements	13,897,447	30,765,653	-	8,457,821	53,120,921
Machinery and equipment	1,343,785	1,671,818	420,020	392,078	3,827,701
Vehicles	212,554	172,437	1,642,631	102,349	2,129,971
Construction in progress	1,900,885	973,588	-	17,500	2,891,973
Total	18,300,599	35,115,346	2,062,651	8,982,748	64,461,344
Less accumulated depreciation					
Buildings	(199,729)	(462,472)	-	-	(662,201)
Improvements	(4,780,200)	(13,912,263)	-	(877,373)	(19,569,836)
Vehicles	(176,871)	(150,763)	(662,827)	(59,978)	(1,050,439)
Machinery and equipment	(846,744)	(775,752)	(348,345)	(306,686)	(2,277,527)
Total accumulated Depreciation	(6,003,544)	(15,301,250)	(1,011,172)	(1,244,037)	(23,560,003)
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 12,297,055	\$ 19,814,096	\$ 1,051,479	\$ 7,738,711	\$ 40,901,341

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

	September 30, 2016	Increases	Decreases	Transfers	September 30, 2017
Capital assets, not being depreciated					
Land	\$ 1,277,064	\$ -	\$ (28,178)	\$ -	\$ 1,248,886
Construction in progress	4,247,686	1,279,946	-	(2,635,659)	2,891,973
Total capital assets, not being depreciated	5,524,750	1,279,946	(28,178)	(2,635,659)	4,140,859

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 7: CAPITAL ASSETS (CONTINUED)

	September 30, 2016	Increases	Decreases	Transfers	September 30, 2017
Capital assets, being depreciated					
Buildings	\$ 1,241,892	\$ -	\$ -	\$ -	\$ 1,241,892
Improvements	48,464,483	2,020,779	-	2,635,659	53,120,921
Vehicles	2,033,121	306,739	(209,889)	-	2,129,971
Machinery and equipment	3,581,343	335,154	(88,796)	-	3,827,701
Total capital assets, being depreciated	55,320,839	2,662,672	(298,685)	2,635,659	60,320,485
Less accumulated depreciation					
Buildings	(630,035)	(32,166)	-	-	(662,201)
Improvements	(18,212,930)	(1,356,906)	-	-	(19,569,836)
Vehicles	(984,105)	(199,264)	132,930	-	(1,050,439)
Machinery and equipment	(2,135,211)	(230,682)	88,366	-	(2,277,527)
Total accumulated depreciation	(21,962,281)	(1,819,018)	221,296	-	(23,560,003)
Capital assets, being depreciated (net of accumulated depreciation)	33,358,558	843,654	(77,389)	2,635,659	36,760,482
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 38,883,308	\$ 2,123,600	\$ (105,567)	\$ -	\$ 40,901,341

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

Governmental activities	
Executive	\$ 22,295
Administration and finance	2,542
Development and planning	15,843
Public works	9,572
Other general government	176,272
Law enforcement	54,572
Fire protection	27,984
Streets	268,270
Fleet management	187,887
Library	38,566
Leisure services	85,627
Community redevelopment	36,171
Total depreciation expense – governmental activities	\$ 925,601

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 7: CAPITAL ASSETS (CONTINUED)

Business-type activities		
Water	\$	529,557
Sewer		956,807
Sanitation		188,713
Storm water		143,941
<hr/>		
Total depreciation expense – business-type activities	\$	1,819,018
<hr/>		

NOTE 8: INTERFUND ACTIVITY

Interfund transfers during the year ended September 30, 2017 were as follows:

Transfers Out	Transfers In	Transfers Out	Transfers In
General fund	Debt service fund	\$ 426,325	\$ (426,325)
Sanitation fund	Storm water fund	719,484	(719,484)
<hr/>			
Total		\$ 1,145,809	\$ (1,145,809)
<hr/>			

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.

Interfund balances as of September 30, 2017 were as follows:

Due From Other Funds	Due To Other Funds	Due From Other Funds	Due To Other Funds
Debt service fund	General fund	\$ 101,024	\$ (101,024)
<hr/>			

NOTE 9: LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

	September 30, 2016	Additions	Deductions	September 30, 2017	Due Within One Year
Bonds payable	\$ 1,859,180	\$ 3,910,000	\$ (217,800)	\$ 5,551,380	\$ 594,670
Notes payable	182,552	-	(64,601)	117,951	66,507
Accrued compensated absences	317,320	-	(37,908)	279,412	39,118
<hr/>					
Total	\$ 2,359,052	\$ 3,910,000	\$ (320,309)	\$ 5,948,743	\$ 700,295
<hr/>					

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

Gas Tax Revenue Refunding Bonds, Series 1998

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

The series 1998 bonds and the interest thereon are payable solely from and secured by a pledge of and first lien on (1) the City's portion of the six-cent local option fuel tax and (2) until applied in accordance with the provisions of the resolution, any interest income in the funds and accounts established by the resolution. The interest rates are from 4.0 to 5.125% and the bonds mature October 2018. Current year principal and interest payments on the bonds were 34 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$99,750. Principal and interest paid for the current year and total pledged revenues were \$99,250 and \$290,371, respectively.

\$ 95,000

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

Sales Tax Revenue Refunding Bonds, Series 2016

On January 1, 2016 the City issued \$3,930,000 sales tax revenue refunding bonds, series 2016. The bonds 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 21 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$4,040,966. Principal and interest paid for the current year and total pledged revenues were \$374,208 and \$1,817,598 respectively. This is the governmental activities' portion only.

1,546,380

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

Sales Surtax Revenue Bonds, Series 2017

On June 29, 2017, the City issued \$3,910,000 sales surtax revenue bonds, series 2017. The bonds were issued for the principal purpose of financing and reimbursing the City for certain costs associated with construction of various road and adjacent infrastructure projects. The series 2017 bonds are payable solely from and secured by the sales surtax revenues and until applied in accordance with the provisions of the bond agreement, all moneys, including investments thereof, in the revenue fund, project fund, and sinking fund. The stated interest rate is 2.18% and the bond matures in January 2027. Current year principal and interest payments on the bonds were 0 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$4,357,583. Principal and interest paid for the current year and total pledged revenues were \$0 and \$1,179,308, respectively.

	\$ 3,910,000
Total revenue bonds payable at September 30, 2017	5,551,380
Less: current portion	(594,670)
Revenue bonds at September 30, 2017, net of current portion	\$ 4,956,710

Debt service requirements to maturity on revenue bonds payable at September 30, 2017 are as follows:

Year ending September 30,	Principal	Interest	Total
2018	\$ 594,670	\$ 124,141	\$ 718,811
2019	511,930	101,546	613,476
2020	524,190	90,523	614,713
2021	534,190	79,283	613,473
2022	546,450	67,793	614,243
2023-2027	2,684,460	162,330	2,846,790
2028	155,490	1,788	157,278
Total	\$ 5,551,380	\$ 627,404	\$ 6,178,784

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.

	\$ 117,951
Total notes payable at September 30, 2017	117,951
Less: current portion	66,507
Notes payable at September 30, 2017, net of current portion	\$ 51,444

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

Debt service requirements to maturity on notes payable at September 30, 2017 are as follows:

Year ending September 30,	Principal	Interest	Total
2018	\$ 66,507	\$ 2,759	\$ 69,266
2019	51,444	1,294	52,738
Total	\$ 117,951	\$ 4,053	\$ 122,004

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

	September 30, 2016	Additions	Deductions	September 30, 2017	Due Within One Year
Bonds payable	\$ 15,610,820	\$ 6,090,000	\$ (7,397,200)	\$ 14,303,620	\$ 1,344,330
Issuance discounts/ premiums	274,730	23,446	(12,041)	286,135	24,307
Net bonds payables	15,885,550	6,113,446	(7,409,241)	14,589,755	1,368,637
Notes payable	2,046,000	1,674,000	(41,563)	3,678,437	84,730
Accrued compensated absences	84,775	-	(6,041)	78,734	11,810
Total	\$ 18,016,325	\$ 7,787,446	\$ (7,456,845)	\$ 18,346,926	\$ 1,465,177

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

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 7 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$1,413,000. Principal and interest paid for the current year and total pledged revenues were \$367,450 and \$4,980,649, respectively.

\$ 1,320,000

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 \$3,781,488. Principal and interest paid for the current year and total pledged revenues were \$100,475 and \$4,980,649, 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 5 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$2,741,994. Principal and interest paid for the current year and total pledged revenues were \$248,238 and \$4,980,649, respectively.

2,095,000

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 bonds 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 21 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$4,040,966. Principal and interest paid for the current year and total pledged revenues were \$374,208 and \$1,817,598 respectively. This is the business-type activities' portion only.

\$ 2,083,620

Capital Improvement Revenue Refunding Bonds, Series 2017

On January 18, 2017 the City issued \$6,090,000 capital improvement revenue refunding bonds, series 2017. The bonds were issued to (i) refund the City's outstanding Capital Improvement Refunding Revenue Bonds, Series 2005, (ii) fund a required deposit to the Reserve Account through purchase of a reserve account insurance policy, and (iii) pay related costs of issuance. The series 2017 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 2017 bond on the pledged revenues is on a parity with the lien on 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% to 3% and the bonds mature December 2032. Current year principal and interest payments on the bonds are 1 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$7,327,743. Principal and interest paid for the current year and total pledged revenues were \$48,106 and \$4,980,649 respectively.

	6,090,000
Total principal obligation at September 30, 2017	14,303,620
Plus: net discount/(premium)	286,135
Less: current portion	(1,344,330)
Principal obligation September 30, 2017, net of current portion	\$ 13,245,425

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

Debt service requirements to maturity on revenue bonds payable at September 30, 2017 are as follows:

Year ending September 30,	Principal	Net Discount/ (Premium)	Interest	Total
2018	\$ 1,344,330	\$ 24,307	\$ 374,261	\$ 1,742,898
2019	1,360,070	24,307	364,023	1,748,400
2020	1,710,810	24,308	322,602	2,057,720
2021	690,810	16,589	287,755	995,154
2022	711,550	16,589	271,700	999,839
2023-2027	3,831,540	82,945	1,079,635	4,994,120
2028-2032	3,519,510	76,007	529,107	4,124,624
2033-2035	1,135,000	21,083	51,038	1,207,121
Total	\$ 14,303,620	\$ 286,135	\$ 3,280,121	\$ 17,869,876

Notes Payable

In August of 2015, the City approved a change order for \$3,720,000 for a storm water 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 completed during 2017. The promissory note was signed in March 2017 which is when payments on the loan began. The note requires monthly payments of \$14,795 and matures March of 2047.

Debt service requirements to maturity on revenue bonds payable at September 30, 2017 are as follows:

Year ending September 30,	Principal	Interest	Total
2018	\$ 84,730	\$ 92,814	\$ 177,544
2019	86,916	90,628	177,544
2020	89,159	88,386	177,545
2021	91,459	86,086	177,545
2022	93,819	83,726	177,545
2023-2027	506,675	381,048	887,723
2028-2032	575,497	312,226	887,723
2033-2037	653,668	234,055	887,723
2038-2042	742,456	145,267	887,723
2043-2047	754,058	44,894	798,952
Total	\$ 3,678,437	\$ 1,559,130	\$ 5,237,567

NOTE 11: NET POSITION RESTRICTIONS

The government-wide statement of net position reports \$6,381,135 of restricted net position, of which \$3,334,481 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, 2017.

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 infrastructure surtax - This restriction was established to restrict the use of a 0.5% sales tax approved by Bay County for infrastructure purposes.

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, 2017:

Governmental activities	
Law enforcement education	\$ 10,194
Capital repair and replacement	1,589,841
Infrastructure tax	1,078,284
Debt service	221,470
Reforestation	3,735
Community redevelopment	549,819
Total	\$ 3,453,343

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 11: NET POSITION RESTRICTIONS (CONTINUED)

Business-type activities	
Capital repair and replacement	\$ 1,184,627
Debt service	1,743,165
Total	\$ 2,927,792

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, 2017 the plans had the following membership breakdown:

	General Employees	Police Officers	Firefighters
Inactive plan members or beneficiaries currently receiving benefits	33	14	6
Inactive plan members entitled to but not yet receiving benefits	15	12	1
Active plan members	86	26	21
Total plan membership	134	52	28

Note: This is actual membership as of October 1, 2016. No significant change during 2017.

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.

NOTE 12: RETIREMENT PLANS (CONTINUED)

- 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.

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.
- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is not currently funded per mutual consent between the City and membership.

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.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is currently not funded.

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.

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 \$112,601 to the firefighters’ plan, \$133,067 to the police officers’ plan, and \$778,361 to the general employees’ plan during the year ended September 30, 2017. The annual covered payroll for the year was \$920,087 for the firefighters, \$1,242,529 for the police officers, and \$3,305,528 for the general employees. The percentage of contributions to annual covered payroll for the year for each plan was 12%, 11%, and 24%, 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, 2017 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, 2017, none of the plans held investments in any one organization that represented five percent or more of the pension plan’s fiduciary net position.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

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, 2017 is summarized below:

	General Employees	Police Officers	Firefighters
Money-weighted rate of return	9.56%	9.47%	12.17%

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, 2017 were \$644,711, \$33,293, and \$0 in the general employees', the police officers', and the firefighters' plans, respectively.

Share Plan

The police officers' and firefighters' plans include a supplemental benefit called a share plan. Pursuant to Florida law, there has been a separate member "share account" created for each member of the plan. The supplemental benefit may or may not be funded and at this time neither plan has funded the share plan. If the share plan is funded, at retirement, termination (vested), disability or death, there shall be an additional benefit paid to the member. The share plan is funded solely with state premium tax money and the funding that is received for the share plan is allocated to a member's share account based on a formula based on years of credited service. The share account will be adjusted for its proportionate share of the income or loss on the assets in the plan.

Net Pension Liability

The components of the net pension liability for each pension plan of the City at September 30, 2017, were as follows:

	General Employees	Police Officers	Firefighters
Total pension liability	\$ 19,856,457	\$ 7,845,278	\$ 6,258,285
Plan fiduciary net position	(17,559,288)	(8,692,458)	(6,350,031)
City's net pension liability (asset)	\$ 2,297,169	\$ (847,180)	\$ (91,746)
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.43%	110.80%	101.47%

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

At September 30, 2017, the City reported a liability of \$2,297,169 for the pension liability for the General Employees' retirement plan. The net pension liabilities (assets) were measured as of September 30, 2017. The total net pension liability was allocated to each fund benefited by the plan.

At September 30, 2017, the City reported an asset of \$847,180 for the pension overfunding for the Police Officers' retirement plan. The net pension liabilities (assets) were measured as of September 30, 2017. The total net pension asset was reported in the governmental fund.

At September 30, 2017, the City reported an asset of \$91,746 for the pension liability for the Firefighters' retirement plan. The net pension liabilities (assets) were measured as of September 30, 2017. The total net pension asset was reported in the governmental fund.

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

For the year ended September 30, 2017, the City recognized pension expense of \$783,682, \$103,262, and \$148,528 for the general employees', the police officers', and the firefighters' pension plans, respectively.

At September 30, 2017, 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	\$ -	\$ 476,034
Change in assumptions	219,192	-
Net difference between projected and actual earnings on pension plan investments	499,752	329,805
Total	\$ 718,944	\$ 805,839

At September 30, 2017, 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	\$ -	\$ 419,243
Change in assumptions	115,200	-
Net difference between projected and actual earnings on pension plan investments	251,236	144,671
Total	\$ 366,436	\$ 563,914

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

At September 30, 2017, 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	\$ -	\$ 468,745
Change in assumptions	372,006	-
Net difference between projected and actual earnings on pension plan investments	280,441	227,665
Total	\$ 652,447	\$ 696,410

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
2018	\$ 49,467	\$ (8,404)	\$ 26,749
2019	67,622	1,512	54,953
2020	(150,394)	(124,106)	(35,907)
2021	(53,590)	(66,480)	(68,814)
2022	-	-	(18,949)
Thereafter	-	-	(1,995)
Total	\$ (86,895)	\$ (197,478)	\$ (43,963)

Actuarial Assumptions

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2016 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%	Service based
Investment rate of return	8.00%	8.00%	7.25%

Mortality rates for all pension plans were based on the RP2000 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, 2016 FRS valuation report.

NOTE 12: RETIREMENT PLANS (CONTINUED)

General Employees'

- Healthy Active Lives – Female: RP2000 combined healthy, 100% combined healthy white collar, scale BB
- Healthy Active Lives – Male: RP2000 combined healthy, 50% annuitant white collar/50% combined healthy blue collar, scale BB
- Healthy Inactive Lives – Female: RP2000 Generational, 100% annuitant white collar, scale BB
- Healthy Inactive Lives – Male: RP2000 Generational, 50% annuitant white collar/50% annuitant blue collar, scale BB
- Disabled Lives – Female: 100% RP2000 disabled female set forward two years
- Disabled Lives – Male: 100% RP2000 disabled mal setback four years

Police Officers'

- Healthy Active Lives – Female: RP2000 combined healthy, 100% combined healthy white collar, scale BB
- Healthy Active Lives – Male: RP2000 combined healthy, 10% combined healthy white collar/90% combined healthy blue collar, scale BB
- Healthy Inactive Lives – Female: RP2000 generational, 100% annuitant white collar, scale BB
- Healthy Inactive Lives – Male: RP2000 generational, 10% annuitant white collar/90% annuitant blue collar, scale BB
- Disabled Lives – Female: 60% RP2000 disabled female set forward two years/40% annuitant white collar with no setback, no projection scale
- Disabled Lives – Male: 60% RP2000 disabled male setback four years/40% annuitant white collar with no setback, no projection scale

Firefighters'

- Healthy Lives – Female: RP2000 generational, 100% combined healthy white collar, scale BB
- Healthy Lives – Male: RP2000 generational, 10% combined healthy white collar/90% combined healthy blue collar, scale BB
- Healthy Inactive Lives – Female: RP2000 generational, 100% annuitant white collar, scale BB
- Healthy Inactive Lives – Male: RP2000 generational, 10% annuitant white collar/90% annuitant blue collar, scale BB
- Disabled Lives – Female: 60% RP2000 disabled female set forward two years/40% annuitant white collar with no setback, no projection scale
- Disabled Lives – Male: 60% RP2000 disabled male setback four years/40% annuitant white collar with no setback, no projection scale

The actuarial assumptions used in the September 30, 2017 valuation were based on an actuarial valuation as of October 1, 2016 updated to September 30, 2017. The significant assumptions used for the firefighters' plan was based on a recent actuarial experience study dated June 7, 2017. The other two plans do not have an experience study available.

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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: RETIREMENT PLANS (CONTINUED)

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, 2017 are summarized in the following table:

Asset class	General Employees	Police Officers	Firefighters
Domestic equity	7.00%	7.00%	7.50%
International equity	3.70%	3.70%	8.50%
Bonds	4.00%	4.00%	0.00%
Broad market fixed income	0.00%	0.00%	2.50%
Treasury inflation protected securities	2.90%	2.90%	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%	7.25%

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

Sensitivity of the Net Pension Liability

The following presents the net pension liability of the City for each pension plan, calculated using the discount rate of 8.00 percent for the general employees' and police officers' pension and 7.25 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 6.25 percent) or 1 percentage point higher (9.00 percent or 8.25 percent) than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
City's net pension liability - General Employees' Pension	\$ 4,422,140	\$ 2,297,169	\$ 506,503
City's net pension liability (asset) - Police Officers' Pension	15,731	(847,180)	(1,572,022)
City's net pension liability (asset) - Firefighters' Pension	700,944	(91,746)	(742,224)

NOTE 12: RETIREMENT PLANS (CONTINUED)

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, 2017.

NOTE 13: RISK MANAGEMENT

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

NOTE 14: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City has established the Retirees' Health Insurance Other Postemployment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the City and eligible dependents may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City currently has approximately 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.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

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 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 \$12,757 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	
Normal cost component	\$ 26,995
Amortization of unfunded actuarial accrued liability component	15,678
Annual required contribution	42,673
Interest on net OPEB obligation	10,411
Adjustment to annual required contribution	(12,757)
Annual OPEB cost (expense)	40,327
Contribution toward the OPEB cost	(8,171)
Increase in net OPEB obligation	32,156
Net OPEB obligation, beginning of year	260,315
Net OPEB obligation, end of year	\$ 292,471

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

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, 2017 was as follows:

Year ended September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 53,165	16%	\$ 230,432
2016	42,168	29%	260,315
2017	40,327	20%	292,471

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 26 years.



City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 15: SUBSEQUENT EVENT

During January 2018, the City issued a \$6,090,000 Infrastructure Surtax Bond. The bonds were issued for a similar purpose and with similar terms to the \$3,910,000 Sales Surtax Revenue Bonds, Series 2017. The interest rate is 2.35% and will mature over 10 years.

During March 2018, the City approved authorizing two loans through the State of Florida's State Revolving Fund program. A wastewater project construction loan that shall not exceed \$6,600,000 and a water project construction loan that shall not exceed \$3,572,000 have been approved although specific terms related to interest and maturity have not been determined.

Required Supplementary Information

City of Lynn Haven, Florida
Schedules of Funding Progress and Employer Contributions
for the Retirees' Health Insurance
Other Postemployment Benefits Plan
September 30, 2017

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
2015	\$ 8,748	\$ 52,766	17%
2016	12,285	44,048	28%
2017	8,171	42,673	19%

See independent auditors' report.

City of Lynn Haven, Florida

**Schedule of Changes in Net Pension Liability and Related Ratios –
General Employees’ Retirement System – Last Five Fiscal Years**

Year ended September 30,	2017	2016	2015
Total pension liability			
Service cost	\$ 623,575	\$ 600,171	\$ 623,863
Interest	1,535,796	1,442,938	1,378,512
Differences between expected and actual experience	(257,496)	(350,889)	(268,672)
Changes of assumptions	-	438,382	-
Employee contributions	(1,238,504)	(759,152)	(1,040,029)
Net change in total pension liability	663,371	1,371,450	693,674
Total pension liability - beginning	19,192,681	17,821,231	17,127,557
Total pension liability - ending (a)	19,856,052	19,192,681	17,821,231
Plan fiduciary net position			
Contributions - employer	793,327	887,944	834,900
Contributions - member	165,681	162,257	163,518
Net investment income	1,560,376	1,348,632	(65,358)
Benefit payments, including refunds of member contributions	(1,238,503)	(759,559)	(1,040,029)
Administrative expense	(32,940)	(28,181)	(28,388)
Net change in plan fiduciary net position	1,247,941	1,611,093	(135,357)
Plan fiduciary net position - beginning	16,310,942	14,699,849	14,835,206
Plan fiduciary net position - ending (b)	17,558,883	16,310,942	14,699,849
Net pension liability - ending (a) - (b)	\$ 2,297,169	\$ 2,881,739	\$ 3,121,382
Plan fiduciary net position as a percentage of the total pension liability	88.43%	84.99%	82.49%
Covered-employee payroll	\$ 3,305,528	\$ 3,245,125	\$ 4,089,610
Net pension liability as a percentage of covered-employee payroll	69.49%	88.80%	76.32%

(Continued)

See independent auditors’ report.

City of Lynn Haven, Florida

**Schedule of Changes in Net Pension Liability and Related Ratios –
General Employees’ Retirement System – Last Five Fiscal Years (Continued)**

Year ended September 30,	2014	2013
Total pension liability		
Service cost	\$ 676,486	\$ 626,376
Interest	1,279,098	1,155,629
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Employee contributions	(280,537)	(296,952)
Net change in total pension liability	1,675,047	1,485,053
Total pension liability - beginning	15,452,510	13,967,457
Total pension liability - ending (a)	17,127,557	15,452,510
Plan fiduciary net position		
Contributions - employer	816,608	730,071
Contributions - member	184,927	181,610
Net investment income	1,156,984	1,267,086
Benefit payments, including refunds of member contributions	(280,537)	(296,952)
Administrative expense	(19,746)	(21,504)
Net change in plan fiduciary net position	1,858,236	1,860,311
Plan fiduciary net position - beginning	12,976,970	11,116,659
Plan fiduciary net position - ending (b)	14,835,206	12,976,970
Net pension liability - ending (a) - (b)	\$ 2,292,351	\$ 2,475,540
Plan fiduciary net position as a percentage of the total pension liability	86.62%	83.98%
Covered-employee payroll	\$ 3,698,541	\$ 3,632,195
Net pension liability as a percentage of covered-employee payroll	61.98%	68.16%

Notes to schedule

The covered-employee payroll numbers shown are in compliance with GASB 82, except for the September 30, 2015 measurement period which includes DROP payroll.

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 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

See independent auditors’ report.

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

Year ended September 30,	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 778,361	\$ 809,145	\$ 834,900	\$ 816,608	\$ 730,071
Contributions in relation to the actuarially determined contribution	793,327	887,944	834,900	816,608	730,071
Contribution deficiency (excess)	\$ (14,966)	\$ (78,799)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,305,528	\$ 3,245,125	\$ 4,089,610	\$ 3,698,541	\$ 3,632,195
Contributions as a percentage of covered-employee payroll	24.00%	27.36%	20.42%	22.08%	20.10%

The covered-employee payroll numbers shown are in compliance with GASB 82, except for the September 30, 2015 measurement period which includes DROP payroll

(Continued)

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

Notes to schedule

Valuation date: October 1, 2015

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	26 Years (as of 10/1/2015)
Actuarial asset 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.
Termination rate	See table below under “other information.” This assumption was adopted by the Board, based on results of the September 3, 2007 experience study.
Disability rate	See table below under “other information.” These rates are similar to those utilized by other municipal general employee programs.
Mortality rate	RP2000 combined healthy (sex distinct), projected to valuation year using scale AA. Disabled lives set forward five years. It is the actuary’s opinion that this assumption sufficiently accommodates expected future mortality improvements.
Interest rate	7.50% per year, compounded annually, net of investment related expenses. This assumption was adopted by the Board, based on results of the September 3, 2007 experience study.

Retirement rates	Rate per
	Age Year

	50-54 2%
	55-58 20%
	59-61 20%
	62 50%
	63-64 25%
	65 100%

This assumption was adopted by the Board, based on results of the September 3, 2007 experience study.

Salary increases	None (frozen plan)
Payroll growth	None for amortizing unfunded actuarial accrued liability (frozen plan)
Interest adjustment for required contributions	7.50% for projecting dollar requirements.
Cost of living increases	2.00% per year after 3 years (none for VT’s)
Other information	

	% Becoming	% Terminating
	Disabled During	During the
	the Year	Year
	-----	-----
Age	0.05%	25.0%
20	0.06%	12.4%
30	0.12%	9.5%
40	0.43%	7.5%
50	1.61%	5.5%
60		

See independent auditors’ report.

City of Lynn Haven, Florida

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

Year ended September 30,	2017	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	9.56%	9.13%	-0.44%	8.67%	11.09%

See independent auditors’ report.

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

Year ended September 30,	2017	2016	2015
Total pension liability			
Service cost	\$ 291,017	\$ 283,018	\$ 309,736
Interest	597,635	564,143	526,808
Change in excess state money	20,749	25,295	26,971
Differences between expected and actual experience	(218,184)	(331,547)	(91,536)
Changes of assumptions	-	192,001	-
Employee contributions	(335,766)	(258,147)	(245,073)
Net change in total pension liability	355,451	474,763	526,906
Total pension liability - beginning	7,489,827	7,015,064	6,488,158
Total pension liability - ending (a)	7,845,278	7,489,827	7,015,064
Plan fiduciary net position			
Contributions - employer	118,040	193,200	195,344
Contributions - State	131,498	140,590	117,198
Contributions - member	62,126	62,391	64,089
Net investment income	751,774	654,947	(50,536)
Benefit payments, including refunds of member contributions	(335,767)	(258,148)	(245,073)
Administrative expense	(33,446)	(17,500)	(23,874)
Net change in plan fiduciary net position	694,225	775,480	57,148
Plan fiduciary net position - beginning	7,998,233	7,222,753	7,165,605
Plan fiduciary net position - ending (b)	8,692,458	7,998,233	7,222,753
Net pension liability/(asset) - ending (a) - (b)	\$ (847,180)	\$ (508,406)	\$ (207,689)
Plan fiduciary net position as a percentage of the total pension liability	110.80%	106.79%	102.96%
Covered-employee payroll	\$ 1,242,529	\$ 1,247,810	\$ 1,287,209
Net pension liability as a percentage of covered-employee payroll	-68.18%	-40.74%	-16.13%

(Continued)

See independent auditors’ report.

City of Lynn Haven, Florida

**Schedule of Changes in Net Pension Liability and Related Ratios –
Police Officers’ Retirement System – Last Five Fiscal Years (Continued)**

Year ended September 30,	2014	2013
Total pension liability		
Service cost	\$ 288,702	\$ 267,317
Interest	481,522	436,833
Change in excess state money	23,122	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Employee contributions	(205,289)	(128,550)
Net change in total pension liability	588,057	575,600
Total pension liability - beginning	5,900,101	5,324,501
Total pension liability - ending (a)	6,488,158	5,900,101
Plan fiduciary net position		
Contributions - employer	196,175	236,419
Contributions - State	113,349	102,477
Contributions - member	68,969	63,303
Net investment income	571,109	626,409
Benefit payments, including refunds of member contributions	(205,289)	(128,550)
Administrative expense	(22,490)	(34,281)
Net change in plan fiduciary net position	721,823	865,777
Plan fiduciary net position - beginning	6,443,782	5,578,005
Plan fiduciary net position - ending (b)	7,165,605	6,443,782
Net pension liability/(asset) - ending (a) - (b)	\$ (677,447)	\$ (543,681)
Plan fiduciary net position as a percentage of the total pension liability	110.44%	109.21%
Covered-employee payroll	\$ 1,379,386	\$ 1,266,068
Net pension liability as a percentage of covered-employee payroll	-49.11%	-42.94%

Notes to schedule

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 auditors’ report.

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

Year ended September 30,	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 268,376	\$ 268,376	\$ 285,571	\$ 286,402	\$ 326,646
From excess State money reserve	25,295	25,295	-	-	-
Contributions in relation to the actuarially determined contribution	283,200	283,200	285,571	286,402	326,646
Contribution deficiency (excess)	\$ (40,119)	\$ (40,119)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,242,529	\$ 1,247,810	\$ 1,287,209	\$ 1,379,386	\$ 1,266,068
Contributions as a percentage of covered-employee payroll	22.79%	22.70%	22.19%	20.76%	25.80%

(Continued)

See independent auditors’ report.

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

Notes to schedule

Valuation date: October 1, 2015

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	19 Years (as of 10/1/2015)
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.
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. This assumption is in line with the national average utilized for public pension programs.
Payroll growth	3.00% per year
Retirement age	Earlier of: 1) age 55 and 10 years of service, 2) 25 years of service, regardless of age, or 3) attainment of age 60. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.
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	RP2000 table with no projection – based upon other studies of municipal police officers, the actuary feels this assumption sufficiently accommodates future mortality improvements.

Other information	%																								
	<table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 20px;"></td> <td style="text-align: center;">% Becoming</td> <td style="text-align: center;">Terminating</td> </tr> <tr> <td></td> <td style="text-align: center;">Disabled During</td> <td style="text-align: center;">During the</td> </tr> <tr> <td></td> <td style="text-align: center;">the Year</td> <td style="text-align: center;">Year</td> </tr> <tr> <td style="text-align: center;">Age</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td style="text-align: center;">20</td> <td style="text-align: center;">0.03%</td> <td style="text-align: center;">6.0%</td> </tr> <tr> <td style="text-align: center;">30</td> <td style="text-align: center;">0.04%</td> <td style="text-align: center;">5.0%</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">0.07%</td> <td style="text-align: center;">2.6%</td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">0.18%</td> <td style="text-align: center;">0.8%</td> </tr> </table>		% Becoming	Terminating		Disabled During	During the		the Year	Year	Age	_____	_____	20	0.03%	6.0%	30	0.04%	5.0%	40	0.07%	2.6%	50	0.18%	0.8%
	% Becoming	Terminating																							
	Disabled During	During the																							
	the Year	Year																							
Age	_____	_____																							
20	0.03%	6.0%																							
30	0.04%	5.0%																							
40	0.07%	2.6%																							
50	0.18%	0.8%																							

See independent auditors’ report.

City of Lynn Haven, Florida

**Schedule of Investment Returns – Police Officers’ Retirement System –
Last Five Fiscal Years**

Year ended September 30,	2017	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	9.47%	9.07%	-0.71%	8.83%	10.99%

See independent auditors’ report.

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

Year ended September 30,	2017	2016	2015
Total pension liability			
Service cost	\$ 214,294	\$ 202,696	\$ 189,512
Interest	428,511	395,917	370,363
Change in excess State money	(581,215)	7,031	55,979
Share plan allocation	581,215	-	-
Differences between expected and actual experience	(404,891)	(92,891)	(74,169)
Changes of assumptions	211,236	245,505	-
Employee contributions	(173,915)	(191,309)	(167,618)
Net change in total pension liability	275,235	566,949	374,067
Total pension liability - beginning	5,983,050	5,416,101	5,042,034
Total pension liability - ending (a)	6,258,285	5,983,050	5,416,101
Plan fiduciary net position			
Contributions - employer	85,694	179,059	175,202
Contributions - state	72,877	104,062	98,068
Contributions - member	46,004	39,616	40,940
Net investment income	688,348	263,560	(32,874)
Benefit payments, including refunds of member contributions	(173,914)	(191,309)	(167,618)
Administrative expense	(36,877)	(25,141)	(20,388)
Net change in plan fiduciary net position	682,132	369,847	93,330
Plan fiduciary net position - beginning	5,667,899	5,298,052	5,204,722
Plan fiduciary net position - ending (b)	6,350,031	5,667,899	5,298,052
Net pension liability/(asset) - ending (a) - (b)	\$ (91,746)	\$ 315,151	\$ 118,049
Plan fiduciary net position as a percentage of the total pension liability	101.47%	94.73%	97.82%
Covered-employee payroll	\$ 920,087	\$ 792,315	\$ 826,871
Net pension liability as a percentage of covered-employee payroll	-9.97%	39.78%	14.28%

(Continued)

See independent auditors’ report.

City of Lynn Haven, Florida

**Schedule of Changes in Net Pension Liability and Related Ratios –
Firefighters’ Retirement System – Last Five Fiscal Years (Continued)**

Year ended September 30,	2014	2013
Total pension liability		
Service cost	\$ 191,324	\$ 177,152
Interest	340,740	312,224
Change in excess State money	62,154	-
Share plan allocation	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Employee contributions	(152,334)	(141,843)
Net change in total pension liability	441,884	347,533
Total pension liability - beginning	4,600,150	4,252,617
Total pension liability - ending (a)	5,042,034	4,600,150
Plan fiduciary net position		
Contributions - employer	191,373	178,051
Contributions - state	104,243	127,858
Contributions - member	41,786	38,336
Net investment income	509,709	416,896
Benefit payments, including refunds of member contributions	(152,334)	(141,843)
Administrative expense	(12,168)	(14,739)
Net change in plan fiduciary net position	682,609	604,559
Plan fiduciary net position - beginning	4,522,113	3,917,554
Plan fiduciary net position - ending (b)	5,204,722	4,522,113
Net pension liability/(asset) - ending (a) - (b)	\$ (162,688)	\$ 78,037
Plan fiduciary net position as a percentage of the total pension liability	103.23%	98.30%
Covered-employee payroll	\$ 835,712	\$ 766,714
Net pension liability as a percentage of covered-employee payroll	-19.47%	10.18%

(Continued)

See independent auditors’ report.

City of Lynn Haven, Florida

**Schedule of Changes in Net Pension Liability and Related Ratios –
Firefighters’ Retirement System – Last Five Fiscal Years (Continued)**

Notes to schedule

Changes in assumptions:

For measurement date September 30, 2017, amounts reported as changes in assumptions results from the following changes:

- Investment return – lowered from 7.75% to 7.25%
- Salary scale – Changes from a flat rate for all years of credit service to an assumption based on credited service
- Mortality rates – As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the Florida Retirement System July 1, 2016 valuation from the July 1, 2015 valuation for special risk lives
- Retirement rates – Removed the assumption that Members eligible for retirement at the valuation date will continue working for one more year.
- Withdrawal rates – Changed from aged based to age and service based

For measurement date September 30, 2016, amounts reported as changes in assumptions results from the following changes:

- Mortality rates – 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.
- Inflation rate – Lowered from 3% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.
- Investment rate of return – Lowered from 8% to 7.75% per year compounded annual, net of investment related expenses.

See independent auditors’ report.

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

Year ended September 30,	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 185,478	\$ 189,266	\$ 217,291	\$ 233,462	\$ 228,481
From excess State money reserve	-	7,031	-	-	-
Contributions in relation to the actuarially determined contribution	158,571	269,059	217,291	233,462	228,481
Contribution deficiency (excess)	\$ 26,907	\$ (86,824)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 920,087	\$ 792,315	\$ 826,871	\$ 835,712	\$ 766,714
Contributions as a percentage of covered-employee payroll	17.23%	33.96%	26.28%	27.94%	29.80%

(Continued)

See independent auditors’ report.

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

Notes to schedule

Valuation date: October 1, 2015

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

Methods and assumptions used to determine contribution rates

Actuarial cost method	Frozen entry age cost method
Amortization method	Level percentage of pay, closed
Remaining amortization period	28 Years (as of 10/1/2015)
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.
Salary increases	6.5% per year until the assumed retirement age. In addition, final projected salary is increased individually (based on actual eligible hours as of July 1, 2011) to account for additional nonregular compensation.
Interest rate	8.00% per year compounded annually, net of investment related expenses. This assumption is in line with the national average utilized for public pension programs.
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	RP2000 table with no projection – sex distinct. Disabled lives are set forward 5 years. Based upon other studies of municipal firefighters, the actuary feels this assumption sufficiently accommodates future mortality improvements.

Other information	% Becoming Disabled During	% Terminating During the
	Age	Year
	20	6.0%
	30	5.0%
	40	2.6%
	50	0.8%

See independent auditors’ report.

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

Year ended September 30,	2017	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	12.17%	4.98%	-0.63%	11.14%	10.38%

See independent auditors’ report.

Combining Statements

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

September 30, 2017	Community Redevelopment	Debt Service	Other Governmental Funds Total
Assets			
Cash and cash equivalents	\$ 585,228	\$ -	\$ 585,228
Prepays	39	-	39
Cash and cash equivalents - restricted	-	120,446	120,446
Internal balances	-	101,024	101,024
Total assets	\$ 585,267	\$ 221,470	\$ 806,737
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 34,564	\$ -	\$ 34,564
Accrued salaries	845	-	845
Total liabilities	35,409	-	35,409
Fund balances			
Nonspendable	39	-	39
Restricted	549,819	221,470	771,289
Total fund balances	549,858	221,470	771,328
Total liabilities and fund balances	\$ 585,267	\$ 221,470	\$ 806,737

See independent auditors' report.

City of Lynn Haven, Florida

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

Year Ended September 30, 2017	Community Redevelopment	Debt Service	Other Governmental Funds Total
Revenues			
Taxes			
Property taxes	\$ 300,373	\$ -	\$ 300,373
Interest	3,589	1,026	4,615
Total revenues	303,962	1,026	304,988
Expenditures			
Current			
Development and planning	316,273	-	316,273
Capital outlay	65,566	-	65,566
Debt service			
Principal	-	282,401	282,401
Interest and fiscal charges	-	45,527	45,527
Total expenditures	381,839	327,928	709,767
Excess (deficit) of revenues over (under) expenditures	(77,877)	(326,902)	(404,779)
Other financing sources (uses)			
Transfers in	-	426,325	426,325
Total other financing sources (uses)	-	426,325	426,325
Net changes in fund balances	(77,877)	99,423	21,546
Fund balances - beginning	627,735	122,047	749,782
Fund balances - ending	\$ 549,858	\$ 221,470	\$ 771,328

See independent auditors' report.

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

September 30, 2017	Firefighters' Pension Trust Fund	Police Officers' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Assets				
Investment savings	\$ 6,329,567	\$ 8,709,638	\$ 17,558,717	\$ 32,597,922
Interest receivable	16,925	124	166	17,215
Contributions receivable	3,539	-	-	3,539
Total assets	6,350,031	8,709,762	17,558,883	32,618,676
Liabilities				
Prepaid city contributions	59,917	25,092	93,765	178,774
Other payables	-	17,305	-	17,305
Total liabilities	59,917	42,397	93,765	196,079
Net position				
Held in trust for pension benefits	\$ 6,290,114	\$ 8,667,365	\$ 17,465,118	\$ 32,422,597

See independent auditors' report.

City of Lynn Haven, Florida

Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended September 30, 2017	Firefighters' Pension Trust Fund	Police Officers' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Additions				
Contributions				
Employer	\$ 112,601	\$ 133,067	\$ 778,361	\$ 1,024,029
Plan members	46,004	62,126	165,681	273,811
State	72,877	131,498	-	204,375
Total contributions	231,482	326,691	944,042	1,502,215
Investment income				
Net increase in fair value of investments	580,302	592,012	1,223,547	2,395,861
Interest	56,107	578	1,637	58,322
Dividends	96,508	177,255	363,006	636,769
Miscellaneous	2,240	-	-	2,240
	735,157	769,845	1,588,190	3,093,192
Less investment expenses				
Professional fees	75,556	45,881	45,650	167,087
Insurance	-	2,567	2,392	4,959
Bank charges	8,130	3,070	12,712	23,912
Net investment earnings	651,471	718,327	1,527,436	2,897,234
Total additions	882,953	1,045,018	2,471,478	4,399,449
Deductions				
Benefits	158,962	322,911	1,196,963	1,678,836
Refunds of contributions	14,952	12,856	41,540	69,348
Total deductions	173,914	335,767	1,238,503	1,748,184
Change in net position	709,039	709,251	1,232,975	2,651,265
Net position - beginning	5,581,075	7,958,114	16,232,143	29,771,332
Net position - ending	\$ 6,290,114	\$ 8,667,365	\$ 17,465,118	\$ 32,422,597

See independent auditors' report.

Compliance Section



INDEPENDENT AUDITORS' 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, 2017, and have issued our report thereon dated June 15, 2018.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 15, 2018, 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 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 and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. 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, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide 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 did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

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

Certified Public Accountants
Panama City Beach, Florida
June 15, 2018



**CARR
RIGGS &
INGRAM**

CPAs and Advisors

INDEPENDENT ACCOUNTANTS' REPORT

Carr, Riggs & Ingram, LLC
14101 Panama City Beach Parkway
Suite 200
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(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, 2017. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether compliance with the specified requirements listed above is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of compliance with the specified requirements listed above, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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's compliance with the aforementioned requirements for the year September 30, 2017 is presented in accordance with the specified criteria, in all material respects.

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
June 15, 2018

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

Honorable Mayor and Members
of the City Commission
City of 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, 2017, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 15, 2018.

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 of this section 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants

Panama City Beach, Florida

June 15, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major State Project

We have audited the City of Lynn Haven's (City) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2017. The City's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with statutes, regulations, and the terms and conditions of its awards applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.550, State of Florida Rules of the Auditor General. Those standards and Chapter 10.550, State of Florida Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Project

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state project for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with the Chapter 10.550, State of Florida Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, State of Florida Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
June 15, 2018

City of Lynn Haven, Florida
Schedule of Expenditures of State Financial Assistance
Year Ended September 30, 2017

State Projects	CSFA No.	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Florida Department of Environmental Protection				
Florida Recreation Development Assistance Program	37.017	A17121	\$ 43,196	\$ -
Florida Recreation Development Assistance Program	37.017	A17122	49,964	-
Statewide Surface Water Restoration and Wastewater Projects	37.039*	LP03027	227,050	-
Statewide Surface Water Restoration and Wastewater Projects	37.039*	LP03028	267,740	-
Small Community Wastewater Facility Grant	37.075	DEP SG001	31,800	-
Total Florida Department of Environmental Protection			619,750	-
Florida Department of Economic Opportunity				
Division of Community Development	40.038	N/A	1,196	-
Division of Community Development	40.038	DEO-P0191	24,169	-
Total Florida Department of Economic Opportunity			25,365	-
Florida Department of Transportation				
Florida Shared-use Nonmotorized (Sun) Trail Network Program	55.038*	439928-1-34-01	182,240	-
Total Florida Department of Transportation			182,240	-
Florida Fish and Wildlife Conservation Commission				
Florida Boating Improvement Program	77.006	17-036	200,000	-
Total Florida Fish and Wildlife Conservation Commission			200,000	-
Total expenditures of state financial assistance			\$ 1,027,355	\$ -

* denotes major project

Notes to Schedule

The schedule of expenditures of state financial assistance was prepared on the modified accrual basis of accounting. This method is consistent with preparation of the City's financial statements.

City of Lynn Haven, Florida
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

State Projects

Internal control over major programs		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557 for local government entities?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major projects

<u>CFSA Number(s)</u>	<u>Name of State Project</u>
37.039	Statewide Surface Water Restoration and Wastewater Projects
55.038	Florida Shared-use Nonmotorized (Sun) Trail Network Program

Dollar threshold used to distinguish between Type A and Type B projects:

\$300,000

(Continued)



City of Lynn Haven, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2017

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Financial Assistance Findings

There were no findings.

Section IV - Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to State projects.