

City of Lynn Haven, Florida

Financial Statements

September 30, 2018



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City of Lynn Haven, Florida
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida (City), as of and for the year ended September 30, 2018, 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 auditors' consider 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, 2018, 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 management's discussion and analysis on pages 4 through 11, the schedule of changes in the City's total other postemployment benefits liability and related ratios on page 74, the schedule of employer contributions for the retirees' health insurance other postemployment benefits plan on page 75, and the pension related statements on pages 76 through 93, 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 opinions 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 the purpose 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 the purpose 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 state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Change in Accounting Principle

As described in note 2 to the financial statements, for the year ended September 30, 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*. Our opinion is not modified with respect to this matter.

Subsequent Event – Federal Investigation

As discussed in note 19 to the financial statements, The United States District Court of the Northern District of Florida has issued subpoenas to the City of Lynn Haven, Florida for records related to an investigation of certain of the City's vendors. As of July 22, 2019 no additional information concerning the investigation is available. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinions are not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2019 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 solely 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
July 22, 2019

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 \$69,233,170 (net position). Of this amount, \$2,528,033 is unrestricted net position of the governmental activities and \$11,369,011 is unrestricted net position of the business-type activities, while \$4,730,475 is restricted net position of the governmental activities and \$3,875,283 is restricted net position of the business-type activities. Total net position includes \$23,133,032 net investment in capital assets of the governmental activities and \$23,597,336 of the business-type activities.
- Total net position increased by \$5,286,704. Of this amount, \$2,943,531 is attributable to governmental activities and \$2,343,173 is attributable to business-type activities.
- As of September 30, 2018, the general fund's unassigned fund balance was \$4,486,547 or 22% of total general fund expenditures.
- Governmental activities' revenues and transfers increased to \$15,612,716 or 2%, while governmental activities' expenses increased 20% to \$12,669,185. Business-type activities' revenues and transfers decreased to \$10,843,188 or 13%, while business-type activities' expenses increased 1% to \$8,500,015.

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 and notes, 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 2018 and 2017, 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

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other						
assets	\$ 10,289,187	\$ 13,171,739	\$ 16,757,460	\$ 15,581,262	\$ 27,046,647	\$ 28,753,001
Capital assets	33,323,270	24,701,168	44,713,768	40,901,341	78,037,038	65,602,509
Total assets	43,612,457	37,872,907	61,471,228	56,482,603	105,083,685	94,355,510
Deferred outflows of resources	1,143,864	1,422,306	610,876	795,245	1,754,740	2,217,551
Current liabilities	406,131	2,635,648	344,450	538,985	750,581	3,174,633
Noncurrent liabilities	12,660,588	7,459,570	22,620,191	19,874,174	35,280,779	27,333,744
Total liabilities	13,066,719	10,095,218	22,964,641	20,413,159	36,031,360	30,508,377
Deferred inflows of resources	1,298,062	1,712,508	275,833	353,655	1,573,895	2,066,163
Net position						
Net investment in capital assets	23,133,032	19,031,837	23,597,336	22,717,879	46,730,368	41,749,716
Restricted	4,730,475	3,453,343	3,875,283	2,927,792	8,605,758	6,381,135
Unrestricted	2,528,033	5,002,307	11,369,011	10,865,363	13,897,044	15,867,670
Total net position	\$ 30,391,540	\$ 27,487,487	\$ 38,841,630	\$ 36,511,034	\$ 69,233,170	\$ 63,998,521

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 (67%). The 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 12% 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 (\$13,897,044) 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	
	2018	2017	2018	2017	2018	2017
Program revenues						
Charges for services	\$ 1,038,995	\$ 1,076,402	\$ 11,707,222	\$ 11,863,531	\$ 12,746,217	\$ 12,939,933
Operating						
grants/contributions	89,317	28,055	-	-	89,317	28,055
Capital						
grants/contributions	204,309	1,700,423	18,550	575,930	222,859	2,276,353
General revenues						
Property taxes and other						
gross tax receipts	7,046,209	6,268,680	-	-	7,046,209	6,268,680
Utility taxes/franchise						
fees	3,100,962	2,929,143	-	-	3,100,962	2,929,143
Intergovernmental	2,728,976	2,574,616	-	-	2,728,976	2,574,616
Other	272,585	681,571	248,779	81,738	521,364	763,309
Transfers	1,131,363	-	(1,131,363)	-	-	-
Total revenues and transfers	15,612,716	15,258,890	10,843,188	12,521,199	26,455,904	27,780,089
Expenses						
General government	3,079,848	2,873,465	-	-	3,079,848	2,873,465
Public safety	5,405,245	4,463,678	-	-	5,405,245	4,463,678
Highways and streets	1,464,209	1,205,718	-	-	1,464,209	1,205,718
Culture/recreation	2,467,735	1,915,224	-	-	2,467,735	1,915,224
Interest on long-term						
debt	252,148	92,914	-	-	252,148	92,914
Water	-	-	2,728,892	2,736,971	2,728,892	2,736,971
Sewer	-	-	2,871,387	2,988,606	2,871,387	2,988,606
Sanitation	-	-	1,850,376	1,992,709	1,850,376	1,992,709
Storm water	-	-	1,049,360	663,402	1,049,360	663,402
Total expenses	12,669,185	10,550,999	8,500,015	8,381,688	21,169,200	18,932,687
Change in net position	\$ 2,943,531	\$ 4,707,891	\$ 2,343,173	\$ 4,139,511	\$ 5,286,704	\$ 8,847,402

Governmental activities' revenues exceeded expenses by \$2,943,531, while business-type activities' revenues exceeded expenses by \$2,343,173. Total revenues decreased \$1,324,185 from the previous year. Revenues decreased as a result of several factors. Charges for service revenues decreased \$237,336, property taxes and other gross receipts increased \$777,529, utility taxes and franchise fees increased \$171,819, intergovernmental revenues increased \$154,360, grant income decreased by \$2,053,494 and other income decreased \$198,325. Total expenses increased \$2,236,513 from the previous year. General government expenses increased \$206,383, public safety increased \$941,567, highway and safety increased \$258,491 and culture/recreation expenses increased \$552,511. Utility expenses increased \$118,327 which is due to an increase in storm water expenses of \$385,958 offset by decreases in expenses in water, sewer and sanitation.

45% 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 (43%), general government (24%), culture and recreation (19%), and highways and streets (12%) activities.

The majority of the revenues for the business-type activities were generated by charges for services. The sewer fund consumed 34% and the water consumed 32% 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, 2018, total assets were \$9,655,541, and total liabilities were \$361,352. At the end of fiscal year 2018, unassigned fund balance of the general fund was \$4,486,547, while total fund balance was \$9,294,189.

The general fund budget was amended during the year (June 2018) to reflect anticipated increases in revenues and expenditures. Expenditures for the year ended September 30, 2018 were under budgeted amounts by \$3,364,544, mainly due to less spent in capital outlay than originally budgeted.

The fiscal year 2018 general fund budget was amended again after year-end to reflect anticipated increases in revenues and expenditures. This amendment was not approved by the City Commission within 60 days of fiscal year-end as required by Section 166.241, Florida Statutes. Consequently, the statement of revenues, expenditures and changes in fund balances – budget and actual – general fund does not reflect that amended budget which accounted for certain budget overages within general fund departments.

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	
	2018	2017
<i>September 30,</i>		
Water	\$ 6,877,539	\$ 6,939,765
Sewer	1,421,849	1,473,497
Sanitation	3,194,190	2,521,309
Storm water	(124,567)	(69,208)
Total	\$ 11,369,011	\$ 10,865,363

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, 2018, was \$78,037,038 (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, city wide \$ 6,998,217
- Police department building renovations 108 E 9th St. 365,939
- City hall building renovations 825 Ohio Ave. 129,601
- Splash pads 381,269
- Sheffield Park Improvements 551,686
- FDEP water improvements 532,715
- Distribution water main replacement 1,293,549
- Sewer rehabilitation project 3,094,953

**Capital Assets
(net of depreciation)**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,693,303	\$ 2,331,529	\$ 1,248,886	\$ 1,248,886	\$ 3,942,189	\$ 3,580,415
Construction in progress	632,426	653,255	7,726,023	2,891,973	8,358,449	3,545,228
Buildings	2,345,281	1,893,274	547,535	579,691	2,892,816	2,472,965
Improvements	25,271,699	18,240,614	32,644,927	33,551,085	57,916,626	51,791,699
Machinery and equipment	2,380,561	1,582,496	2,546,397	2,629,706	4,926,958	4,212,202
Total	\$ 33,323,270	\$ 24,701,168	\$ 44,713,768	\$ 40,901,341	\$ 78,037,038	\$ 65,602,509

Additional information on the City's capital assets can be found in note 8: 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 \$23,962,834. This debt amount represents bonds secured solely by specified revenue sources.

Outstanding Bond Debt

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds payable	\$ 10,741,710	\$ 5,551,380	\$ 13,221,124	\$ 14,589,755	\$ 23,962,834	\$ 20,141,135

Principal repayments during the year on outstanding bond debt totaled \$2,244,000 and the net change in discounts and premiums totaled \$24,301. More detail on the City's liabilities is presented in notes 10 and 11 of the notes to basic financial statements.

Economic Factors and Next Year's Budget and Rates

Hurricane Michael came ashore in the Panhandle in October 2018 causing considerable damage in the City of Lynn Haven. In fiscal year 2018-19. The City's focus has been to clean up storm debris, to repair storm damage and to restore basic services.

In fiscal year 2018-19, the City established a disaster recovery fund to account for expenditures related to Hurricane Michael. A budget in excess of \$71 million has been established for the recovery fund. The budgeted amount is based on information available in May of 2019 and is subject to change. Funding is primarily anticipated to come from FEMA reimbursements and insurance proceeds.

The City's general fund revenues are estimated to decrease by \$4.39 million in fiscal year 2019.

The decrease is primarily due to the receipt of debt proceeds in fiscal year 2018 in the amount of \$6,090,000. Conversely, in fiscal year 2019, revenues related to permitting prompted by hurricane repairs is expected to increase by \$680,000, anticipated grant revenue increases by \$361,640; and anticipated sales taxes increases by \$133,237. Ad valorem taxes are expected to increase by \$94,879, due to an increase in taxable property appraisals performed prior to Hurricane Michael, while maintaining the millage rate at 3.900.

For fiscal year 2019, the City's amended budget appropriates the use of \$555,833 of general fund reserves, however \$602,917 in budgeted expenditures are funded from loan proceeds received in fiscal year 2018. The City continues to maintain a healthy, unassigned fund balance. As of September 30, 2018, the unassigned general fund balance is \$4,486,547 which represents 28% of fiscal year 2019 adopted appropriations.

Due to the effects of Hurricane Michael, enterprise fund charges for services, originally budgeted to remain relatively constant, are estimated to decrease by \$1,166,300 in the water fund and decrease by \$804,000 in the sewer fund. The fiscal year 2018-19 expenditure budgets were also reduced due to the expected loss of income, however the expected use of fund reserves also increased to a total of \$835,768 in the water fund and of \$355,122 in the sewer fund. No significant changes to storm water fund or sanitation fund reserves is anticipated. User fees for water and sewer utilities and sanitation services remained unchanged for fiscal year 2019, pending recommendations from the City's rate analysis study.

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, 901 C 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, 2018	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 7,123,479	\$ 10,711,366	\$ 17,834,845
Accounts receivable, net	418	540,567	540,985
Notes receivable	5,000	8,800	13,800
Internal balances	(10,000)	10,000	-
Grants receivable	340,665	1,833,581	2,174,246
Due from other governments	183,034	-	183,034
Prepays	43,409	-	43,409
Inventories	33,758	109,432	143,190
Total current assets	7,719,763	13,213,746	20,933,509
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	1,935,778	3,370,129	5,305,907
Prepaid bond insurance	-	70,377	70,377
Notes receivable	-	103,208	103,208
Net pension asset	633,646	-	633,646
Capital assets			
Nondepreciable	3,325,729	8,974,909	12,300,638
Depreciable, net of accumulated depreciation	29,997,541	35,738,859	65,736,400
Total noncurrent assets	35,892,694	48,257,482	84,150,176
Deferred outflows of resources			
Deferred outflows related to pensions	1,143,864	163,706	1,307,570
Deferred loss on bond refunding	-	447,170	447,170
Total deferred outflows of resources	1,143,864	610,876	1,754,740
Total assets and deferred outflows of resources	44,756,321	62,082,104	106,838,425
Liabilities			
Current liabilities			
Accounts payable	280,058	47,344	327,402
Accrued expenses	81,294	26,007	107,301
Due to other governments	-	629	629
Accrued interest	44,779	125,159	169,938
Unearned revenue	-	145,311	145,311
Total current liabilities	406,131	344,450	750,581

(Continued)

See accompanying notes.

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

September 30, 2018	Primary Government		
	Governmental Activities	Business-type Activities	Total
Noncurrent liabilities			
Customer deposits	\$ -	\$ 474,205	\$ 474,205
Due within one year			
Accrued compensated absences	49,061	14,324	63,385
Notes payable	51,444	86,916	138,360
Bonds payable	1,132,930	1,360,070	2,493,000
Due in more than one year			
Accrued compensated absences	301,375	81,169	382,544
Notes payable	-	7,895,308	7,895,308
Bonds payable, net of discount	9,608,780	11,861,054	21,469,834
Net pension liability	1,243,637	760,059	2,003,696
Other postemployment benefits liability	273,361	87,086	360,447
Total noncurrent liabilities	12,660,588	22,620,191	35,280,779
Deferred inflows of resources			
Deferred inflows related to pensions	1,298,062	275,833	1,573,895
Total deferred inflows of resources	1,298,062	275,833	1,573,895
Total liabilities and deferred inflows of resources	14,364,781	23,240,474	37,605,255
Net position			
Net investment in capital assets	23,133,032	23,597,336	46,730,368
Restricted			
Law enforcement education	11,422	-	11,422
Capital repair and replacement	1,531,661	2,147,816	3,679,477
Infrastructure tax	1,917,338	-	1,917,338
Debt service	319,533	1,727,467	2,047,000
Unspent bond proceeds	602,916	-	602,916
Animal shelter	76,807	-	76,807
Community redevelopment	270,798	-	270,798
Unrestricted	2,528,033	11,369,011	13,897,044
Total net position	\$ 30,391,540	\$ 38,841,630	\$ 69,233,170

See accompanying notes.

City of Lynn Haven, Florida
Statement of Activities

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

Year Ended September 30, 2018	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	\$ 131,352	\$ -	\$ -	\$ -	\$ (131,352)	\$ -	\$ (131,352)
Executive	560,791	-	-	-	(560,791)	-	(560,791)
Administration and finance	212,934	-	-	-	(212,934)	-	(212,934)
Professional services	391,418	-	-	-	(391,418)	-	(391,418)
Development and planning	472,031	332,843	-	-	(139,188)	-	(139,188)
Protective inspections	291,305	-	-	-	(291,305)	-	(291,305)
Public works	347,361	-	-	-	(347,361)	-	(347,361)
Economic development	96,111	-	-	-	(96,111)	-	(96,111)
Other general government	867,850	174,711	89,317	181,609	(422,213)	-	(422,213)
Law enforcement	3,426,009	195,112	-	1,480	(3,229,417)	-	(3,229,417)
Fire protection	1,687,931	41,739	-	-	(1,646,192)	-	(1,646,192)
Streets	1,034,664	52,523	-	-	(982,141)	-	(982,141)
Fleet management	429,545	-	-	-	(429,545)	-	(429,545)
Library	329,011	4,875	-	7,970	(316,166)	-	(316,166)
Leisure services	2,138,724	237,192	-	13,250	(1,888,282)	-	(1,888,282)
Interest on long-term debt	252,148	-	-	-	(252,148)	-	(252,148)
Total governmental activities	12,669,185	1,038,995	89,317	204,309	(11,336,564)	-	(11,336,564)
Business-type activities							
Water	2,728,892	4,331,774	-	9,000	-	1,611,882	1,611,882
Sewer	2,871,387	4,172,529	-	9,550	-	1,310,692	1,310,692
Sanitation	1,850,376	2,687,141	-	-	-	836,765	836,765
Storm water	1,049,360	515,778	-	-	-	(533,582)	(533,582)
Total business-type activities	8,500,015	11,707,222	-	18,550	-	3,225,757	3,225,757
Total primary government	\$ 21,169,200	\$ 12,746,217	\$ 89,317	\$ 222,859	(11,336,564)	3,225,757	(8,110,807)

(Continued)

See accompanying notes.

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

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

Primary Government

Year Ended September 30, 2018	Governmental Activities	Business-type Activities	Total
General revenues			
Taxes			
Property taxes	\$ 4,223,715	\$ -	\$ 4,223,715
Utility taxes	1,639,483	-	1,639,483
Other gross receipts	2,822,494	-	2,822,494
Franchise fees	1,461,479	-	1,461,479
Intergovernmental	2,728,976	-	2,728,976
Miscellaneous	107,722	131,193	238,915
Total general revenues	12,983,869	131,193	13,115,062
Interest earnings	164,863	117,586	282,449
Total general revenues and interest	13,148,732	248,779	13,397,511
Transfers	1,131,363	(1,131,363)	-
Total general revenues, interest and transfers	14,280,095	(882,584)	13,397,511
Change in net position	2,943,531	2,343,173	5,286,704
Net position - beginning (as originally reported)	27,487,487	36,511,034	63,998,521
Restatement adjustment	(39,478)	(12,577)	(52,055)
Net position - beginning (as restated)	27,448,009	36,498,457	63,946,466
Net position - ending	\$ 30,391,540	\$ 38,841,630	\$ 69,233,170

See accompanying notes.

City of Lynn Haven, Florida
Balance Sheet – Governmental Funds

September 30, 2018	General Fund	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 6,852,134	\$ 271,345	\$ 7,123,479
Accounts receivable, net	418	-	418
Notes receivable	5,000	-	5,000
Grants receivable	340,665	-	340,665
Prepays	43,409	-	43,409
Due from other governments	183,034	-	183,034
Inventories	33,758	-	33,758
Cash and cash equivalents - restricted	1,616,245	319,533	1,935,778
Total assets	\$ 9,074,663	\$ 590,878	9,665,541
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 280,058	\$ -	280,058
Accrued expenditures	80,747	547	81,294
Due to other funds	10,000	-	10,000
Total liabilities	370,805	547	371,352
Fund balances			
Nonspendable			
Inventories	33,758	-	33,758
Prepays	43,409	-	43,409
Restricted			
Law enforcement education	11,422	-	11,422
Capital repair and replacement	1,531,661	-	1,531,661
Infrastructure tax	1,917,338	-	1,917,338
Unspent bond proceeds	602,916	-	602,916
Animal shelter	76,807	-	76,807
Community redevelopment fund	-	270,798	270,798
Debt service fund	-	319,533	319,533
Unassigned	4,486,547	-	4,486,547
Total fund balances	8,703,858	590,331	9,294,189
Total liabilities and fund balances	\$ 9,074,663	\$ 590,878	

(Continued)

See accompanying notes.

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

September 30, 2018	Total
<hr/>	
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$ 33,323,270
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.	(154,198)
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.	(12,071,721)
<hr/>	
Net position of governmental activities	\$ 30,391,540
<hr/> <hr/>	

See accompanying notes.

City of Lynn Haven, Florida

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

Year Ended September 30, 2018	General Fund	Other Governmental Funds	Total
Revenues			
Taxes			
Gross receipts	\$ 2,822,494	\$ -	\$ 2,822,494
Utility	1,639,483	-	1,639,483
Property taxes	3,924,530	299,185	4,223,715
Intergovernmental	2,728,976	-	2,728,976
Licenses and permits	1,949,305	-	1,949,305
Fines and forfeitures	54,069	-	54,069
Charges for services	456,671	-	456,671
Contributions and donations	113,537	-	113,537
Grants	150,651	-	150,651
Interest	152,666	12,197	164,863
Other fees and miscellaneous	148,151	-	148,151
Total revenues	14,140,533	311,382	14,451,915
Expenditures			
Current			
Legislative	131,352	-	131,352
Executive	446,902	-	446,902
Administration and finance	197,251	-	197,251
Professional services	391,206	-	391,206
Development and planning	272,356	136,593	408,949
Protective inspections	290,510	-	290,510
Public works	336,573	-	336,573
Economic development	96,111	-	96,111
Other general government	660,684	-	660,684
Law enforcement	3,330,045	-	3,330,045
Fire protection	1,570,470	-	1,570,470
Streets	709,335	-	709,335
Fleet management	234,218	-	234,218
Library	294,900	-	294,900
Leisure services	2,050,062	-	2,050,062
Capital outlay	9,207,668	446,472	9,654,140
Debt service			
Principal	-	966,177	966,177
Interest and fiscal charges	29,126	209,664	238,790
Total expenditures	20,248,769	1,758,906	22,007,675
Deficit of revenues under expenditures	(6,108,236)	(1,447,524)	(7,555,760)

(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, 2018	General Fund	Other Governmental Funds	Total
Other financing sources (uses)			
Transfers in	\$ 1,131,363	\$ 1,266,527	\$ 2,397,890
Transfers out	(1,266,527)	-	(1,266,527)
Issuance of debt	6,090,000	-	6,090,000
Total other financing sources (uses)	5,954,836	1,266,527	7,221,363
Net changes in fund balances	(153,400)	(180,997)	(334,397)
Fund balances - beginning	8,857,258	771,328	9,628,586
Fund balances - ending	\$ 8,703,858	\$ 590,331	\$ 9,294,189

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, 2018

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

Net changes in fund balances - total governmental funds (page 19) \$ (334,397)

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. 8,593,338

The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments and donations) is to increase net position. 28,764

The issuance of long-term debt (i.e. bonds and notes) 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. (5,123,823)

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). (220,351)

Change in net position of governmental activities (page 15) \$ 2,943,531

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, 2018	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Gross receipts	\$ 2,912,338	\$ 2,912,338	\$ 2,822,494	\$ (89,844)
Utility taxes	1,526,000	1,526,000	1,639,483	113,483
Property taxes	3,852,970	3,852,769	3,924,530	71,761
Intergovernmental	2,778,310	2,778,310	2,728,976	(49,334)
Licenses and permits	1,909,200	1,968,811	1,949,305	(19,506)
Fines and forfeitures	60,700	60,700	54,069	(6,631)
Charges for services	469,100	478,450	456,671	(21,779)
Contributions and donations	12,300	109,130	113,537	4,407
Grants	961,609	761,609	150,651	(610,958)
Interest	45,900	128,600	152,666	24,066
Other fees and miscellaneous	160,897	181,317	148,151	(33,166)
Total revenues	14,689,324	14,758,034	14,140,533	(617,501)
Expenditures				
Current				
Legislative	147,113	149,513	131,352	18,161
Executive	453,572	430,431	446,902	(16,471)
Administration and finance	201,362	205,350	197,251	8,099
Professional services	498,361	609,111	391,206	217,905
Development and planning	245,724	276,607	272,356	4,251
Protective inspections	300,457	300,974	290,510	10,464
Public works	345,253	333,975	336,573	(2,598)
Economic development	93,451	123,468	96,111	27,357
Other general government	654,013	695,247	660,684	34,563
Law enforcement	2,924,121	3,138,872	3,330,045	(191,173)
Fire protection	1,519,898	1,485,969	1,570,470	(84,501)
Streets	679,359	784,403	709,335	75,068
Fleet management	230,856	231,156	234,218	(3,062)
Library	216,823	279,056	294,900	(15,844)
Leisure services	1,829,730	1,999,230	2,050,062	(50,832)
Capital outlay	6,607,215	12,540,801	9,207,668	3,333,133
Debt service				
Interest and fiscal charges	950	29,150	29,126	24
Total expenditures	16,948,258	23,613,313	20,248,769	3,364,544
Excess (deficit) of revenues over (under) expenditures	(2,258,934)	(8,855,279)	(6,108,236)	2,747,043

(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, 2018	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Other financing sources (uses)				
Transfers in	\$ 1,131,363	\$ 1,131,363	\$ 1,131,363	\$ -
Transfers out	(802,044)	(1,380,061)	(1,266,527)	113,534
Impact fee reserve	(190,000)	(223,000)	-	223,000
Carryforward of prior year reserves	2,119,615	3,236,977	-	(3,236,977)
Issuance of debt	-	6,090,000	6,090,000	-
Total other financing sources (uses)	2,258,934	8,855,279	5,954,836	(2,900,443)
Net changes in fund balances	-	-	(153,400)	(153,400)
Fund balances - beginning	8,857,258	8,857,258	8,857,258	-
Fund balances - ending	\$ 8,857,258	\$ 8,857,258	\$ 8,703,858	\$ (153,400)

The City approved an additional amended budget after the 60 day deadline imposed by Section 166.241, Florida Statutes. See management discussion and analysis for additional information regarding that amended budget.

See accompanying notes.

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

Business-type Activities/Enterprise Funds

September 30, 2018	Water	Sewer	Sanitation	Storm water	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 6,646,942	\$ 655,255	\$ 3,244,672	\$ 164,497	\$ 10,711,366
Accounts receivable, net	189,892	193,846	129,212	27,617	540,567
Grants receivable	593,004	1,240,577	-	-	1,833,581
Notes receivable	-	8,800	-	-	8,800
Internal balances	21	(14,300)	14,275	10,004	10,000
Inventories	105,791	-	3,641	-	109,432
Total current assets	7,535,650	2,084,178	3,391,800	202,118	13,213,746
Noncurrent assets					
Cash and cash equivalents - restricted	1,099,788	1,928,954	-	341,387	3,370,129
Notes receivable	-	103,208	-	-	103,208
Prepaid bond insurance	23,371	47,006	-	-	70,377
Capital assets					
Land	220,302	1,015,584	-	13,000	1,248,886
Buildings	725,626	516,266	-	-	1,241,892
Vehicles	212,554	182,437	1,569,270	102,349	2,066,610
Improvements	14,180,162	31,015,653	-	8,457,821	53,653,636
Machinery and equipment	1,337,601	1,804,008	417,308	416,735	3,975,652
Construction in progress	3,405,382	4,170,608	-	150,033	7,726,023
Total capital assets	20,081,627	38,704,556	1,986,578	9,139,938	69,912,699
Less accumulated depreciation	6,506,290	16,241,413	1,091,927	1,359,301	25,198,931
Capital assets, net	13,575,337	22,463,143	894,651	7,780,637	44,713,768
Total noncurrent assets	14,698,496	24,542,311	894,651	8,122,024	48,257,482
Deferred outflows of resources					
Deferred outflows related					
to pensions	72,247	38,636	29,767	23,056	163,706
Deferred loss on bond refunding	208,476	238,694	-	-	447,170
Total deferred outflows of resources	280,723	277,330	29,767	23,056	610,876
Total assets and deferred outflows of resources	22,514,869	26,903,819	4,316,218	8,347,198	62,082,104

(Continued)

See accompanying notes.

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

Business-type Activities/Enterprise Funds					
September 30, 2018	Water	Sewer	Sanitation	Storm water	Total
Liabilities		26,918,119			
Current liabilities					
Accounts payable	\$ 1,723	\$ 45,503	\$ -	\$ 118	\$ 47,344
Accrued expenses	14,632	4,497	3,836	3,042	26,007
Accrued interest	35,720	89,439	-	-	125,159
Due to other governments	629	-	-	-	629
Unearned revenue	145,311	-	-	-	145,311
Total current liabilities	198,015	139,439	3,836	3,160	344,450
Noncurrent liabilities					
Customer deposits	474,205	-	-	-	474,205
Due within one year					
Accrued compensated absences	8,379	2,461	2,327	1,157	14,324
Notes payable	-	-	-	86,916	86,916
Bonds payable	401,604	958,466	-	-	1,360,070
Due in more than one year					
Accrued compensated absences	47,478	13,948	13,189	6,554	81,169
Notes payable	1,293,550	3,094,952	-	3,506,806	7,895,308
Bonds payable, net of discount	3,732,480	8,128,574	-	-	11,861,054
Net pension liability	335,429	179,381	138,203	107,046	760,059
Other postemployment benefits liability	33,546	21,186	19,667	12,687	87,086
Total noncurrent liabilities	6,326,671	12,398,968	173,386	3,721,166	22,620,191
Deferred inflows of resources					
Deferred inflows related to pensions	121,731	65,099	50,155	38,848	275,833
Total deferred inflows of resources	121,731	65,099	50,155	38,848	275,833
Total liabilities and deferred inflows of resources	6,646,417	12,603,506	227,377	3,763,174	23,240,474
Net position					
Net investment in capital assets	8,147,703	10,281,151	894,651	4,273,831	23,597,336
Restricted					
Capital repair and replacement	472,582	1,240,474	-	434,760	2,147,816
Debt service	370,628	1,356,839	-	-	1,727,467
Unrestricted	6,877,539	1,421,849	3,194,190	(124,567)	11,369,011
Total net position	\$ 15,868,452	\$ 14,300,313	\$ 4,088,841	\$ 4,584,024	\$ 38,841,630

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, 2018	Water	Sewer	Sanitation	Storm water	Total
Operating revenues					
Charges for services	\$ 3,724,837	\$ 3,448,829	\$ 2,687,141	\$ 422,405	\$ 10,283,212
Connection/reconnection fees	185,843	-	-	-	185,843
Delinquent penalties	176,441	-	-	-	176,441
Impact fees	188,422	705,657	-	93,373	987,452
Tap fees	56,231	18,043	-	-	74,274
Pension benefit	-	-	14,161	-	14,161
Total operating revenues	4,331,774	4,172,529	2,701,302	515,778	11,721,383
Operating expenses					
Salaries	739,939	379,886	331,417	259,329	1,710,571
Payroll taxes	51,635	26,785	22,268	18,375	119,063
Pension benefit	86,288	12,570	-	70,013	168,871
Employee insurance	132,983	59,927	78,003	47,686	318,599
Other postemployment benefits	1,482	936	869	560	3,847
Workers' compensation insurance	15,777	13,757	20,174	16,887	66,595
Total personnel expenses	1,028,104	493,861	452,731	412,850	2,387,546
Utilities	119,965	381,433	132	349	501,879
Miscellaneous	24,301	-	-	-	24,301
Fuel and oil	23,815	11,179	72,456	18,196	125,646
Chlorine and chemicals	33,013	106,347	-	-	139,360
Depreciation	534,401	960,462	176,790	249,005	1,920,658
Repairs and maintenance	61,797	113,930	136,839	28,703	341,269
Professional services	105,396	99,355	-	166,982	371,733
Contractual services	384,358	328,471	596,364	-	1,309,193
Communications	9,559	2,736	572	572	13,439
Uniform rental	1,610	3,440	2,975	1,205	9,230
Dues and subscriptions	2,654	-	-	-	2,654
Training	4,533	2,422	516	352	7,823
Rentals and leases	2,953	2,873	-	3,870	9,696
Operating supplies	195,610	73,989	10,831	73,431	353,861
Office supplies	17,439	791	-	-	18,230
Tipping fees	-	-	408,357	-	408,357
Travel	948	126	-	-	1,074
Postage and courier	46,420	2,299	-	-	48,719
Insurance	-	4,320	-	-	4,320
Bad debts	9,212	8,159	5,974	1,016	24,361
Total operating expenses	2,606,088	2,596,193	1,864,537	956,531	8,023,349
Operating income (loss)	1,725,686	1,576,336	836,765	(440,753)	3,698,034

(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, 2018	Water	Sewer	Sanitation	Storm water	Total
Nonoperating revenues (expenses)					
Grants and contributions	\$ 9,000	\$ 9,550	\$ -	\$ -	\$ 18,550
Miscellaneous	38,713	19,786	60,934	11,752	131,185
Interest revenue	59,399	27,371	22,608	8,208	117,586
Interest and amortization	(122,804)	(275,186)	-	(92,829)	(490,819)
Total nonoperating revenues (expenses)	(15,692)	(218,479)	83,542	(72,869)	(223,498)
Net income (loss) before transfers	1,709,994	1,357,857	920,307	(513,622)	3,474,536
Transfers in (out)	(1,189,702)	(226,273)	(401,414)	686,026	(1,131,363)
Changes in net position	520,292	1,131,584	518,893	172,404	2,343,173
Net position - beginning (as originally stated)					
	15,353,005	13,171,789	3,572,788	4,413,452	36,511,034
Restatement adjustment	(4,845)	(3,060)	(2,840)	(1,832)	(12,577)
Net position - beginning (as restated)	15,348,160	13,168,729	3,569,948	4,411,620	36,498,457
Net position - ending	\$ 15,868,452	\$ 14,300,313	\$ 4,088,841	\$ 4,584,024	\$ 38,841,630

See accompanying notes.

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

	Business-type Activities/Enterprise Funds				
Year Ended September 30, 2018	Water	Sewer	Sanitation	Storm water	Total
Operating activities					
Receipts from customers and users	\$ 3,820,939	\$ 3,005,336	\$ 2,692,829	\$ 513,650	\$ 10,032,754
Payments to suppliers and others	(1,050,181)	(1,149,884)	(1,256,399)	(294,182)	(3,750,646)
Payments for personnel services	(1,076,640)	(554,837)	(507,451)	(386,631)	(2,525,559)
Net cash provided (used) by operating activities	1,694,118	1,300,615	928,979	(167,163)	3,756,549
Noncapital financing activities					
Miscellaneous receipts	38,713	19,786	60,934	11,752	131,185
Payments (to)/from other funds	(1,189,723)	(211,973)	(415,689)	676,022	(1,141,363)
Payments to other governments	629	-	-	-	629
Net cash provided by (used for) noncapital financing activities	(1,150,381)	(192,187)	(354,755)	687,774	(1,009,549)
Capital and related financing activities					
Acquisition of capital assets	(1,812,683)	(3,609,509)	(19,962)	(290,931)	(5,733,085)
Proceeds from capital grants and contributions	9,000	9,550	-	-	18,550
Proceeds from bonds and notes	1,293,550	3,094,952	-	-	4,388,502
Principal paid on bonds and notes	(408,391)	(960,240)	-	(84,715)	(1,453,346)
Interest paid on bonds and notes	(110,878)	(265,654)	-	(92,829)	(469,361)
Net cash used for capital and related financing activities	(1,029,402)	(1,730,901)	(19,962)	(468,475)	(3,248,740)
Investing activities					
Interest received	59,399	27,371	22,608	8,208	117,586
Net cash provided by investing activities	59,399	27,371	22,608	8,208	117,586
Net increase (decrease) in cash and cash equivalents	(426,266)	(595,102)	576,870	60,344	(384,154)
Cash and cash equivalents - beginning	8,172,996	3,179,311	2,667,802	445,540	14,465,649
Cash and cash equivalents - ending	\$ 7,746,730	\$ 2,584,209	\$ 3,244,672	\$ 505,884	\$ 14,081,495
Classified as cash					
Unrestricted	\$ 6,646,942	\$ 655,255	\$ 3,244,672	\$ 164,497	\$ 10,711,366
Restricted	1,099,788	1,928,954	-	341,387	3,370,129
Cash and cash equivalents - ending	\$ 7,746,730	\$ 2,584,209	\$ 3,244,672	\$ 505,884	\$ 14,081,495

(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, 2018	Water	Sewer	Sanitation	Storm water	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,725,686	\$ 1,576,336	\$ 836,765	\$ (440,753)	\$ 3,698,034
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	534,401	960,462	176,790	249,005	1,920,658
(Increase) decrease in assets					
Accounts receivable, net	29,887	7,900	5,688	(1,977)	41,498
Grants receivable	(532,829)	(1,069,877)	-	-	(1,602,706)
Notes receivable	-	8,552	-	(151)	8,401
Prepays	324	163	156	123	766
Prepaid bond insurance	1,019	3,146	-	-	4,165
Inventories	(2,628)	-	152	-	(2,476)
Decrease in deferred outflows related to pensions	61,568	43,050	40,356	6,841	151,815
Increase (decrease) in liabilities					
Accounts payable	(5,313)	(11,323)	(21,691)	371	(37,956)
Accrued expenses	(323)	906	406	330	1,319
Unearned revenue	(33,663)	(113,768)	-	-	(147,431)
Customer deposits	25,770	-	-	-	25,770
Accrued compensated absences	9,127	2,214	3,793	1,625	16,759
Net pension liability	(92,133)	(81,623)	(85,860)	11,524	(248,092)
Other postemployment benefits liability	1,482	936	869	560	3,847
Increase (decrease) in deferred inflows related to pensions	(28,257)	(26,459)	(28,445)	5,339	(77,822)
Net cash provided (used) by operating activities	\$ 1,694,118	\$ 1,300,615	\$ 928,979	\$ (167,163)	\$ 3,756,549

See accompanying notes.

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

September 30, 2018	Pension Trust Funds
Assets	
Investment savings	\$ 34,423,587
Interest receivable	56,870
Contributions receivable	3,539
Total assets	34,483,996
Liabilities	
Prepaid city contributions	192,562
Total liabilities	192,562
Net position	
Held in trust for pension benefits	\$ 34,291,434

See accompanying notes.

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

Year Ended September 30, 2018	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 1,053,467
Plan members	305,116
State	225,934
Total contributions	1,584,517
Investment earnings	
Interest	54,915
Dividends	711,995
Net increase in fair value of investments	1,405,342
Total investment earnings	2,172,252
Less investment expenses	(251,533)
Net investment earnings	1,920,719
Total additions	3,505,236
Deductions	
Benefits	1,515,639
Refunds of contributions	120,760
Total deductions	1,636,399
Change in net position	1,868,837
Net position - beginning	32,422,597
Net position - ending	\$ 34,291,434

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, 817 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.

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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 No. 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 No. 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.

Noncurrent Governmental Assets/Liabilities

GASB Statement No. 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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

Annual budgets are legally adopted for all governmental funds, except those indicated in note 4, 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 budgeted amounts final column represents the final budgetary data that was approved within the State's deadline for amending the budget. In this column the effects of budget amendments have been applied to original budgetary data. An additional budget amendment was approved after the 60 day deadline imposed by the State. This budget amendment is not reflected in these financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. However, all encumbrances lapse at year end and, accordingly, a reserve for encumbrances is not reported in the accompanying basic financial statements.

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

Cash and Cash Equivalents

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

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, the City had no capitalized interest.

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.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

The City has implemented GASB Statement No. 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 in spendable form or are legally or contractually required to be maintained intact. The balance as of September 30, 2018 of \$77,167 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, 2018 of \$4,730,475 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, 2018.

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, 2018.

Unassigned – This category is the residual classification for the City's fund balances. The balance as of September 30, 2018 is \$4,486,547.

Net Position

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

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

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

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.

City of Lynn Haven, Florida Notes to Basic Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 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 outflows of resources 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 inflows of resources 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.

Other Postemployment Benefits (OPEB)

GASB Statement No. 75 requires local and state government employers to recognize the OPEB liability and the OPEB expense on their financial statements along with related deferred outflows and inflows of resources (see Note 15).

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 mils for general operations. The City's millage rate for the year ended September 30, 2018, was 3.9000 mils.

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

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

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

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

Estimates

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

Subsequent events

Management of the City has evaluated subsequent events through July 22, 2019, the date the financial statements were available to be issued.

NOTE 2: ACCOUNTING CHANGES

As a plan sponsor, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires employers of single-employer defined benefit plans to report employers' OPEB Plan liabilities. The requirements of this statement are being applied retroactively by restating the actuarially determined liabilities of \$344,526 at September 31, 2017, the date of transition.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 3: 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	\$ 46,015,511
Less: accumulated depreciation	12,692,241
<hr/>	
Net adjustment to increase fund balances - total governmental funds to arrive at net position of governmental activities	\$ 33,323,270
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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	\$ 10,741,710
Notes payable	51,444
Accrued compensated absences	350,436
Net pension asset	(633,646)
Net pension liability	1,243,637
Other postemployment benefits liability	273,361
Accrued interest	44,779
<hr/>	
Net adjustment to decrease fund balances - total governmental funds to arrive at net position of governmental activities	\$ 12,071,721
<hr/> <hr/>	

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

Deferred outflows of resources	\$ 1,143,864
Deferred inflows of resources	(1,298,062)
<hr/>	
Net adjustment to decrease fund balances - total governmental funds to arrive at net position of governmental activities	\$ (154,198)
<hr/> <hr/>	

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Capital outlay	\$ 9,654,140
Depreciation	(1,060,802)
<hr/>	
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ 8,593,338
<hr/>	

Another element of that reconciliation states the issuance of long-term debt (i.e., bonds and notes) 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	\$ (6,090,000)
Principal repayments	
Notes	66,507
Bonds	899,670
<hr/>	
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net position of governmental activities	\$ (5,123,823)
<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	\$ (71,024)
Deferred outflows of resources	(278,442)
Deferred inflows of resources	414,446
Net pension asset	(213,534)
Net pension liability	(46,365)
Other postemployment benefits	(12,074)
Accrued interest	(13,358)
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ (220,351)
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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:

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 3: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Donation of assets	\$	29,438
Loss on sale of assets		(674)
<hr/>		
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$	28,764
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NOTE 4: 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 5: DEPOSITS AND INVESTMENTS

Deposits

\$25,212,703 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, 2018, 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

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.

NOTE 5: DEPOSITS AND INVESTMENTS (CONTINUED)

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
 - Limited partnerships
 - Margin accounts
 - Options (excluding index mutual funds or ETFs)
 - Private equity
 - Private mortgages
 - Securities lending (unless authorized by the Board)

NOTE 5: DEPOSITS AND INVESTMENTS (CONTINUED)

- 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.
 - 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.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 5: DEPOSITS AND INVESTMENTS (CONTINUED)

- 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, 2018, 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, 2018, the City’s and fiduciary fund’s deposits consisted of the following:

	Carrying Amount	Market Value
Demand deposits - City	\$ 25,212,703	\$ 25,212,703
Demand deposits - Fiduciary funds	-	-
Total demand deposits	\$ 25,212,703	\$ 25,212,703

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 5: 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, 2018:

	Fair Value	Level 1	Level 2	Level 3
Investments, at fair value				
Money market	\$ 2,924,859	\$ 2,924,859	\$ -	\$ -
Common stock	1,958,983	1,958,983	-	-
Corporate bonds	548,545	548,545	-	-
Exchange traded funds - equity	12,831,458	12,831,458	-	-
Exchange traded funds - fixed income	7,832,160	7,832,160	-	-
Exchange traded funds - international	4,119,379	4,119,379	-	-
Foreign stock	36,644	36,644	-	-
Mortgage backed securities	334,071	-	334,071	-
Mutual funds - equity	2,025,756	2,025,756	-	-
Mutual funds - international equity	882,353	882,353	-	-
Real estate investment trust	653,546	-	26,735	626,811
U.S. government obligations	275,833	275,833	-	-
Total investments, at fair value	\$ 34,423,587	\$ 33,435,970	\$ 360,806	\$ 626,811

As of September 30, 2018, the general employees and police officers plans held no investments in any one organization that represented five percent or more of the pension plan's fiduciary net position. The firefighters plan held an interest in a real estate investment that represented 9% of the pension plan's fiduciary net position.

NOTE 6: 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, 2018 all amounts are considered collectible so no allowance for doubtful accounts is recorded. At September 30, 2018, accounts receivable in the governmental funds is summarized as follows:

Accounts receivable	\$	418
Less: allowance for doubtful accounts		-
Accounts receivable, net	\$	418

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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 6: ACCOUNTS RECEIVABLE (CONTINUED)

allowance for doubtful accounts. At September 30, 2018, accounts receivable in the proprietary funds is summarized as follows:

Accounts receivable	\$	540,567
Less: allowance for doubtful accounts		-
Accounts receivable, net	\$	540,567

NOTE 7: 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, 2018 is \$112,008 with \$8,800 due within one year.

NOTE 8: CAPITAL ASSETS

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

	September 30, 2017	Increases	Decreases	Transfers	September 30, 2018
Capital assets, not being depreciated					
Land	\$ 2,331,529	\$ 160,680	\$ -	\$ 201,094	\$ 2,693,303
Construction in progress	653,255	463,198	-	(484,027)	632,426
Total capital assets, not being depreciated	2,984,784	623,878	-	(282,933)	3,325,729
Capital assets, being depreciated					
Buildings	3,322,367	520,999	-	-	3,843,366
Improvements	23,562,316	7,266,971	-	282,933	31,112,220
Machinery and equipment	6,765,394	1,271,732	(302,930)	-	7,734,196
Total capital assets, being depreciated	33,650,077	9,059,702	(302,930)	282,933	42,689,782
Less accumulated depreciation					
Buildings	(1,429,093)	(68,992)	-	-	(1,498,085)
Improvements	(5,321,702)	(518,819)	-	-	(5,840,521)
Machinery and equipment	(5,182,898)	(472,991)	302,254	-	(5,353,635)
Total accumulated depreciation	(11,933,693)	(1,060,802)	302,254	-	(12,692,241)

(Continued)

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 8: CAPITAL ASSETS (CONTINUED)

	September 30, 2017	Increases	Decreases	Transfers	September 30, 2018
Capital assets, being depreciated (net of accumulated depreciation)	\$ 21,716,384	\$ 7,998,900	\$ (676)	\$ 282,933	\$ 29,997,541
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 24,701,168	\$ 8,622,778	\$ (676)	\$ -	\$ 33,323,270

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2018:

	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	14,180,162	31,015,653	-	8,457,821	53,653,636
Machinery and equipment	1,337,601	1,804,008	417,308	416,735	3,975,652
Vehicles	212,554	182,437	1,569,270	102,349	2,066,610
Construction in progress	3,405,382	4,170,608	-	150,033	7,726,023
Total	20,081,627	38,704,556	1,986,578	9,139,938	69,912,699
Less accumulated depreciation					
Buildings	(219,437)	(474,920)	-	-	(694,357)
Improvements	(5,167,346)	(14,756,659)	-	(1,084,704)	(21,008,709)
Vehicles	(189,955)	(147,943)	(742,134)	(69,756)	(1,149,788)
Machinery and equipment	(929,552)	(861,891)	(349,793)	(204,841)	(2,346,077)
Total accumulated Depreciation	(6,506,290)	(16,241,413)	(1,091,927)	(1,359,301)	(25,198,931)
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 13,575,337	\$ 22,463,143	\$ 894,651	\$ 7,780,637	\$ 44,713,768

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

	September 30, 2017	Increases	Decreases	Transfers	September 30, 2018
Capital assets, not being depreciated					
Land	\$ 1,248,886	\$ -	\$ -	\$ -	\$ 1,248,886
Construction in progress	2,891,973	5,357,215	-	(523,165)	7,726,023
Total capital assets, not being depreciated	4,140,859	5,357,215	-	(523,165)	8,974,909

(Continued)

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 8: CAPITAL ASSETS (CONTINUED)

	September 30, 2017	Increases	Decreases	Transfers	September 30, 2018
Capital assets, being depreciated					
Buildings	\$ 1,241,892	\$ -	\$ -	\$ -	\$ 1,241,892
Improvements	53,120,921	9,550	-	523,165	53,653,636
Vehicles	2,129,971	25,097	(88,458)	-	2,066,610
Machinery and equipment	3,827,701	358,547	(210,596)	-	3,975,652
Total capital assets, being depreciated	60,320,485	393,194	(299,054)	523,165	60,937,790
Less accumulated depreciation					
Buildings	(662,201)	(32,156)	-	-	(694,357)
Improvements	(19,569,836)	(1,438,873)	-	-	(21,008,709)
Vehicles	(1,050,439)	(187,807)	88,458	-	(1,149,788)
Machinery and equipment	(2,277,527)	(261,822)	193,272	-	(2,346,077)
Total accumulated depreciation	(23,560,003)	(1,920,658)	281,730	-	(25,198,931)
Capital assets, being depreciated (net of accumulated depreciation)	36,760,482	(1,527,464)	(17,324)	523,165	35,738,859
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 40,901,341	\$ 3,829,751	\$ (17,324)	\$ -	\$ 44,713,768

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

Governmental activities	
Executive	\$ 23,852
Administration and finance	2,206
Development and planning	16,640
Public works	8,473
Other general government	207,214
Law enforcement	59,027
Fire protection	39,110
Streets	325,199
Fleet management	202,212
Library	39,231
Leisure services	96,526
Community redevelopment	41,112
Total depreciation expense – governmental activities	\$ 1,060,802

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 8: CAPITAL ASSETS (CONTINUED)

Business-type activities		
Water	\$	534,401
Sewer		960,462
Sanitation		176,790
Storm water		249,005
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Total depreciation expense – business-type activities	\$	1,920,658
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NOTE 9: INTERFUND ACTIVITY

Interfund transfers during the year ended September 30, 2018 were as follows:

Transfers Out	Transfers In	Transfers Out	Transfers In
General fund	Debt service fund	\$ 1,266,527	\$ (1,266,527)
Water fund	General fund	452,545	(452,545)
Water fund	Storm water fund	737,157	(737,157)
Sewer fund	General fund	226,273	(226,273)
Stormwater fund	General fund	201,131	(201,131)
Sanitation fund	Storm water fund	150,000	(150,000)
Sanitation fund	General fund	251,414	(251,414)
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Total		\$ 3,285,047	\$ (3,285,047)
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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, 2018 were as follows:

September 30, 2018	Receivables	Payables
General fund	\$ -	\$ 10,000
Water fund	21	-
Sewer fund	-	14,300
Sanitation fund	14,275	-
Storm water fund	10,004	-
<hr/>		
Total	\$ 24,300	\$ 24,300
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City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 10: LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

	September 30, 2017	Additions	Deductions	September 30, 2018	Due Within One Year
Bonds payable	\$ 5,551,380	\$ 6,090,000	\$ (899,670)	\$ 10,741,710	\$ 1,132,930
Notes payable	117,951	-	(66,507)	51,444	51,444
Accrued compensated absences	279,412	-	71,024	350,436	49,061
Total	\$ 5,948,743	\$ 6,090,000	\$ (895,153)	\$ 11,143,590	\$ 1,233,435

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 19 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,677,709. Principal and interest paid for the current year and total pledged revenues were \$363,258 and \$1,899,297 respectively. This is the governmental activities' portion only. \$ 1,420,710

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 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 26 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,893,269. Principal and interest paid for the current year and total pledged revenues were \$464,314 and \$1,791,982 respectively. 3,536,000

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

Sales Surtax Revenue Bonds, Series 2018

On January 4, 2018, the City issued \$6,090,000 sales surtax revenue bonds, series 2018. The bonds were issued for the purpose of financing and reimbursing the City for certain costs associated with construction of various road and adjacent infrastructure projects. The series 2018 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 2.35% and the bond matures in January 2027. Current year principal and interest payments on the bonds were 22 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$6,416,211. Principal and interest paid for the current year and total pledged revenues were \$388,484 and \$1,791,982 respectively.

	\$ 5,785,000
Total revenue bonds payable at September 30, 2018	10,741,710
Less current portion	(1,132,930)
Revenue bonds at September 30, 2018, net of current portion	\$ 9,608,780

Debt service requirements to maturity on revenue bonds payable at September 30, 2018 are as follows:

Year ending September 30,	Principal	Interest	Total
2019	\$ 1,132,930	\$ 233,863	\$ 1,366,793
2020	1,161,190	208,152	1,369,342
2021	1,185,190	181,860	1,367,050
2022	1,214,450	154,978	1,369,428
2023	1,241,580	127,740	1,369,320
2024-2028	4,806,370	227,881	5,034,251
Total	\$ 10,741,710	\$ 1,134,474	\$ 11,876,184

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.

Total notes payable at September 30, 2018	\$ 51,444
Less: current portion	51,444
Notes payable at September 30, 2018, net of current portion	\$ -

City of Lynn Haven, Florida
Notes to Basic Financial Statements

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

Debt service requirements to maturity on notes payable at September 30, 2018 are as follows:

Year ending September 30,	Principal	Interest	Total
2019	\$ 51,444	\$ 1,294	\$ 52,738
Total	\$ 51,444	\$ 1,294	\$ 52,738

NOTE 11: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

	September 30, 2017	Additions	Deductions	September 30, 2018	Due Within One Year
Bonds payable	\$ 14,303,620	\$ -	\$ (1,344,330)	\$ 12,959,290	\$ 1,360,070
Issuance discounts/ premiums	286,135	-	(24,301)	261,834	-
Net bonds payables	14,589,755	-	(1,368,631)	13,221,124	1,360,070
Notes payable	3,678,437	4,388,503	(84,716)	7,982,224	86,916
Accrued compensated absences	78,734	16,759	-	95,493	14,324
Total	\$ 18,346,926	\$ 4,405,262	\$ (1,453,347)	\$ 21,298,841	\$ 1,461,310

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. Current year principal and interest payments on the bonds are 8 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$1,046,600. Principal and interest paid for the current year and total pledged revenues were \$366,400 and \$4,771,502, respectively.

\$ 1,000,000

NOTE 11: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

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 4 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,572,113. Principal and interest paid for the current year and total pledged revenues were \$209,375 and \$4,771,502, respectively.

\$ 2,605,000

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 \$2,487,356. Principal and interest paid for the current year and total pledged revenues were \$254,638 and \$4,771,502, respectively.

1,910,000

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 11: 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 19 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,677,709. Principal and interest paid for the current year and total pledged revenues were \$363,258 and \$1,899,297 respectively. This is the business-type activities' portion only.

\$ 1,914,290

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 13 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$6,767,743. Principal and interest paid for the current year and total pledged revenues were \$608,106 and \$4,771,502 respectively.

	5,530,000
Total principal obligation at September 30, 2018	12,959,290
Plus: net discount/(premium)	261,834
Less: current portion	(1,360,070)
Principal obligation September 30, 2018, net of current portion	\$ 11,861,054

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 11: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Debt service requirements to maturity on revenue bonds payable at September 30, 2018 are as follows:

Year ending September 30,	Principal	Net Discount/ (Premium)	Interest	Total
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	724,420	16,589	254,831	995,840
2024-2028	3,936,630	81,751	975,298	4,993,679
2029-2033	3,425,000	70,813	413,450	3,909,263
2034-2035	400,000	10,878	16,200	427,078
Total	\$ 12,959,290	\$ 261,824	\$ 2,905,859	\$ 16,126,973

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 2047.

In June 2018, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$3,666,840 loan for a water main replacement at an interest rate of 1.39% per year for 20 years and includes \$23,400 of capitalized interest and \$71,440 in loan service fees. The first semi-annual payment of \$104,502 is due December 15, 2019. The loan is collateralized by the pledged revenues of the water and sewer system. No principal or interest payments were made during the year ended September 30, 2018. Pledged revenue for the year ending September 30, 2018 was \$4,771,502.

In June 2018, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$6,778,100 loan for a wastewater rehabilitation project at an interest rate of .930% per year for 20 years and includes \$46,100 of capitalized interest and \$132,000 of loan service fees. The first semi-annual payment of \$186,092 is due June 15, 2020. The loan is collateralized by the pledged revenues of the water and sewer system. No principal or interest payments were made during the year ended September 30, 2018. Pledged revenue for the year ending September 30, 2018 was \$4,771,502.

Debt service requirements to maturity on notes payable at September 30, 2018 are as follows:

Year ending September 30,	Principal	Interest	Total
2019	\$ 86,916	\$ 90,628	\$ 177,544
2020	405,229	167,412	572,641
2021	566,384	192,349	758,733
2022	573,797	184,937	758,734

(Continued)

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 11: LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Year ending September 30,	Principal	Interest	Total
2023	\$ 581,324	\$ 177,408	\$ 758,732
2024-2028	3,023,768	769,894	3,793,662
2029-2033	3,230,720	562,942	3,793,662
2034-2038	3,454,916	338,748	3,793,664
2039-2043	1,521,704	133,298	1,655,002
2044-2048	593,878	27,529	621,407
Total estimated payments	14,038,636	2,645,145	16,683,781
Less undrawn principal loan proceeds	(6,056,412)	-	(6,056,412)
Total	\$ 7,982,224	\$ 2,645,145	\$ 10,627,369

NOTE 12: NET POSITION RESTRICTIONS

The government-wide statement of net position reports \$8,605,758 of restricted net position, of which \$3,961,697 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, 2018.

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 tax - This restriction was established to restrict the use of a ½ cent sales tax approved by Bay County for infrastructure purposes.

Restricted for animal shelter - This restriction was established to restrict the unspent portion of a donor restricted contribution to be used for animal shelter expenditures.

Restricted for unspent bond proceeds - This restriction was established to restrict bond proceeds received but not spent on their intended purpose as of year-end.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 12: NET POSITION RESTRICTIONS (CONTINUED)

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, 2018:

Governmental activities	
Law enforcement education	\$ 11,422
Capital repair and replacement	1,531,661
Infrastructure tax	1,917,338
Debt service	319,533
Animal shelter	76,807
Unspent bond proceeds	602,916
Community redevelopment	270,798
Total	\$ 4,730,475

Business-type activities	
Capital repair and replacement	\$ 2,147,816
Debt service	1,727,467
Total	\$ 3,875,283

NOTE 13: 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.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 13: RETIREMENT PLANS (CONTINUED)

As of September 30, 2018 the plans had the following membership breakdown:

	General Employees	Police Officers	Firefighters
Inactive plan members or beneficiaries currently receiving benefits	39	15	6
Inactive plan members entitled to but not yet receiving benefits	18	14	1
Active plan members	88	25	20
Total plan membership	145	54	27

Note: This is actual membership as of October 1, 2017. No significant change during 2018.

Benefits Provided

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

General Employees'

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

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

NOTE 13: RETIREMENT PLANS (CONTINUED)

- 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.
- 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 \$105,067 to the firefighters’ plan, \$126,084 to the police officers’ plan, and \$822,316 to the general employees’ plan during the year ended September 30, 2018. The annual covered payroll for the year was \$1,021,678 for the firefighters, \$1,492,008 for the police officers, and

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 13: RETIREMENT PLANS (CONTINUED)

\$3,588,614 for the general employees. The percentage of contributions to annual covered payroll for the year for each plan was 6%, 8%, and 24%, respectively.

Other donations, gifts and contributions from sources other than the City may be deposited to the funds. Such deposits, at the discretion of the boards, may be accounted for separately. Funds from these sources may be used for additional benefits for members, as determined by the boards.

Investment Policy

The boards' targeted allocation policy for each pension plan as of September 30, 2018 is summarized below:

Asset class	General Employees	Police Officers	Firefighters
Domestic equity	45%	45%	55%
International equity	15%	15%	10%
Bonds	25%	25%	0%
Broad market fixed income	0%	0%	20%
Private real estate	10%	10%	10%
Global fixed income	0%	0%	5%
Treasury inflation protected securities	5%	5%	0%
Total targeted allocation	100%	100%	100%

Investment Concentrations

As of September 30, 2018, the general employees and police officers plans held no investments in any one organization that represented five percent or more of the pension plan's fiduciary net position. The firefighters plan held an interest in a real estate investment that represented 9% of the pension plan's fiduciary net position.

Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on each pension plan's investments, net of pension plan investment expense for the year ended September 30, 2018 is summarized below:

	General Employees	Police Officers	Firefighters
Money-weighted rate of return	5.87%	5.49%	8.63%

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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 13: RETIREMENT PLANS (CONTINUED)

credited each fiscal quarter. The DROP balances as of September 30, 2018 were \$773,837, \$0, 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, 2018, were as follows:

	General Employees	Police Officers	Firefighters
Total pension liability	\$ 20,549,076	\$ 8,403,203	\$ 6,891,170
Plan fiduciary net position	(18,558,157)	(9,036,849)	(6,878,393)
City's net pension liability (asset)	\$ 1,990,919	\$ (633,646)	\$ 12,777
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.31%	107.54%	99.81%

At September 30, 2018, the City reported a liability of \$1,990,919 for the pension liability for the General Employees' retirement plan. The net pension liability was measured at September 30, 2018. The total net pension liability is allocated to each fund benefited by the plan.

At September 30, 2018, the City reported an asset of \$633,646 for the pension overfunding for the Police Officers' retirement plan. The net pension asset was measured at September 30, 2018. The total net pension asset is reported in the governmental activities.

At September 30, 2018, the City reported a liability of \$12,777 for the pension liability for the Firefighters' retirement plan. The net pension liability was measured at September 30, 2018. The total net pension liability was reported in the governmental activities.

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

For the year ended September 30, 2018, the City recognized pension expense of \$761,854, \$271,285, and \$206,357 for the general employees', the police officers', and the firefighters' pension plans, respectively.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 13: RETIREMENT PLANS (CONTINUED)

At September 30, 2018, 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	\$ -	\$ 714,356
Change in assumptions	109,596	8,168
Net difference between projected and actual earnings on pension plan investments	319,220	-
Total	\$ 428,816	\$ 722,524

At September 30, 2018, 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	\$ -	\$ 398,813
Change in assumptions	227,739	-
Net difference between projected and actual earnings on pension plan investments	203,515	-
Total	\$ 431,254	\$ 398,813

At September 30, 2018, 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	\$ 132,950	\$ 392,341
Change in assumptions	314,550	-
Net difference between projected and actual earnings on pension plan investments	-	60,217
Total	\$ 447,500	\$ 452,558

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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 13: RETIREMENT PLANS (CONTINUED)

Year Ending September 30:	General Employees	Police Officers	Firefighters
2019	\$ 28,286	\$ 60,738	\$ 64,719
2020	(189,729)	(64,880)	(26,141)
2021	(92,929)	(7,254)	(59,048)
2022	(39,336)	43,837	(9,183)
2023	-	-	7,638
Thereafter	-	-	16,957
Total	\$ (293,708)	\$ 32,441	\$ (5,058)

Actuarial Assumptions

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2017 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	Service based	6.50%	Service based
Investment rate of return	7.50%	7.50%	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.

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 male 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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 13: RETIREMENT PLANS (CONTINUED)

- 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, 2018 valuation were based on an actuarial valuation as of October 1, 2017 updated to September 30, 2018. The significant assumptions used for the firefighters' plan was based on a recent actuarial experience study dated June 7, 2017. The other two plans were based on an experience study dated March 6, 2018.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class for each pension plan included in each pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset class	General Employees	Police Officers	Firefighters
Domestic equity	8.10%	8.10%	7.50%
International equity	3.40%	3.40%	8.50%
Bonds	3.60%	3.60%	0.00%
Broad market fixed income	0.00%	0.00%	2.50%
Treasury inflation protected securities	2.70%	2.70%	0.00%
Private real estate	4.90%	4.90%	4.50%
Global fixed income	0.00%	0.00%	3.50%

Discount Rate

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

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 13: RETIREMENT PLANS (CONTINUED)

	General Employees	Police Officers	Firefighters
Discount rate	7.50%	7.50%	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 7.5 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 (6.50 percent or 6.25 percent) or 1 percentage point higher (8.50 percent or 8.25 percent) than the current rates:

	1% Decrease	Current Discount Rate	1% Increase
City's net pension liability - General Employees' Pension	\$ 4,277,609	\$ 1,990,919	\$ 70,038
City's net pension liability (asset) - Police Officers' Pension	326,677	(633,646)	(1,435,447)
City's net pension liability (asset) - Firefighters' Pension	863,919	12,777	(684,274)

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, 901 C 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, 2018.

NOTE 14: 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.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 15: OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City has established the Retirees’ Health Insurance Other Postemployment Benefits (OPEB) 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 147 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.

Benefits Provided

The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

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 5773
Retiree	\$ 594	\$ 840
Retiree and spouse	1,413	2,000
Retiree and children	1,093	1,546
Retiree and family	1,853	2,622

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. A schedule of employer contributions can be found in the required supplementary information immediately following the notes.

NOTE 15: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability

The City's total OPEB liability of \$360,447 was measured as of September 30, 2018 based on an actuarial valuation dated September 30, 2017.

Actuarial Assumptions and Funding Methods

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Discount rate: 3.64% per annum
- Inflation rate 2.5%
- Salary increase: varies by service
- Healthcare care inflation: 8.5% for the 2018 fiscal year graded down by .5% per year to 2025, then .5% for the next subsequent three years periods, down to the ultimate trend rate of 4% in fiscal year 2073
- Healthcare participation: 25% participation assumed, with 25% electing spouse coverage
- Health Claims: Developed using a blend of manual and active fully insured rates
- Medical aging factors: 4% per year prior to age 65, 3% per year between ages 65 and 75, 2% per year between ages 75 and 85 and 0% per year thereafter
- Retirement rates general pension plan employees: 25% for 0-3 years following normal retirement date, 50% for 4 years following normal retirement date and 100% for 5+ years following normal retirement date
- Retirement rates fire pension plan employees: Earlier of age 55 and 10 years of service or 25 years of service, regardless of age
- Retirement rates police pension plan employees: 25% at age 55, 33.3% for age 56, 50% for ages between 57-59, and 100% for ages 60+ years
- Mortality rates for general pension plan employees: Healthy active and healthy inactive lives: female: RP-2000 generational, 100% white collar, scale BB, male: RP2000 generational, 50% white collar/50% blue collar, scale BB. Disabled lives: female 100% RP-2000 disabled female set forward two years, male 100% RP2000 disabled male setback four years.
- Mortality rates for police and fire pension plan employees: Healthy active lives: female: RP-2000 generational, 100% combined white collar, scale BB. Male: RP2000 generational, 10% combined white collar/90% combined blue collar, scale BB. Healthy inactive lives: female RP-2000 generational 100% annuitant white collar, scale BB, males RP-2000 generational, 10% annuitant white collar/90% annuitant blue collar scale BB. Disabled lives: female set forward two years/40% annuitant white collar with no setback, no projection scale, male 60% RP-2000 disabled male setback four years/40% annuitant white collar with no setback, no projection scales.
- Disability rates general pension plan employees: age 20 .020%, age 30 .027%, age 40 .047%, age 50 .120% and age 60 .600%
- Disability rates police and fire pension plan employees: ages 20 to 25 .03%, age 30 .04%, age 35 .05%, age 40 .10%, age 50 .18%, age 55 .36% and age 60 .90%
- Termination rates for general pension plan employees: 15% for 0 years of service and reduced 1% for each of the next five years, 7% for 6 years and 4% for 7-9 years and reduced 1% for each year between 10 and 15 years of service ending with 2% for 16+ years of service

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 15: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

- Termination rates for police pension plan employees: 15% for 0 years of service reduced 1% for each year of service and ending with .5% for 16+ years of service
- Termination rates for fire pension plan employees: less than five years of service is 15% and 5+ years of service is 5% for those under the age of 45 and 1% for those over the age of 45.
- Funding method: Entry age normal actuarial cost method (level percentage of pay)

Discount Rate

There are no invested plan assets held in trust to finance the OPEB Plan liability. The discount rate used is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Changes in the Total OPEB Liability

Balance at September 30, 2017	\$	344,526
Changes for the year:		
Service cost		31,265
Interest		11,375
Differences between expected and actual experience		-
Changes of assumptions or other inputs		(18,548)
Benefit payments		(8,171)
Net change in OPEB liability		15,921
Total OPEB liability at September 30, 2018	\$	360,447

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the City as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 2.64%	Current Discount Rate 3.64%	1% Increase 4.64%
Net OPEB Liability	\$ 393,161	\$ 360,447	\$ 331,052

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease 3.00% - 7.50%	Trend Rates 4.00% - 8.50%	1% Increase 5.00% - 9.50%
Net OPEB Liability	\$ 323,027	\$ 360,447	\$ 404,162

NOTE 15: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City determined it would not be practical to determine the amount of all applicable inflows of resources and deferred outflows of resources related to OPEB. As such, the only amounts to potentially report as deferred outflows would be for amounts paid by the City for OPEB as the benefits come due, if any, subsequent to the measurement date of the beginning total OPEB liability but before the beginning of the government's fiscal year. As the measurement date was September 30, 2018, there were no deferred outflows of resources to be reported.

NOTE 16: PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

The following standards have been issued that may have an effect on the City but management has not yet determined the effect these statements will have on the City's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, was issued with the objective of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued with the objective to improvement the information that is disclosed in the notes to government financial statements related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simply accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, was issued to improvement to consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 17: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT ADJUSTMENT

During the current year, the City adopted a new GASB Pronouncement, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 requires the City to recognize a liability and operating statement activities related to changes in the OPEB Plan. As a result of this change, beginning net position has been restated as follows:

	Governmental Activities	Business-type Activities	Total
Net position, as originally reported at September 30, 2017	\$ 27,487,487	\$ 36,511,034	\$ 63,998,521
Restatement adjustment OPEB Liability (measurement date of September 30, 2018)	(39,478)	(12,577)	(52,055)
Net position, as restated at September 30, 2017	\$ 27,448,009	\$ 36,498,457	\$ 63,946,466

NOTE 18: SUBSEQUENT EVENT – HURRICANE MICHAEL

On October 10, 2018 the eye of hurricane Michael, a category 5 hurricane, passed over Bay County, Florida, causing devastating destruction and property damage to buildings and businesses throughout the area. It is estimated that 75% of Bay County’s trees were destroyed. At the time of issuance of these financial statements the full impact of the damages and their effects on the City’s financial statements have not been determined. The known impact at this time is as follows:

All city facilities suffered damages. Several city buildings were damaged beyond repair including the Police Department and the chambers facilities which have been subsequently demolished. Additionally, several facilities had substantial structural damage while others had minimal damages to structure but incurred losses due to water intrusion. Before October 10, 2018 we sent out an estimated 10,281 bills. As of May 31, 2019 we sent out an estimated 9,125 bills. Approximately 1,156 accounts have closed as of May 31, 2019. Due to the volume of documentation required by federal guidelines, the city hired additional consultants. Tetra Tech, Inc. provides the City with services in disaster debris monitoring and financial consultation. Due to the delay in insurance and FEMA reimbursement, the City has opened a \$5 million dollar line of credit to pay debris haulers until funding is released. Payments have been made of approximately \$2.3 million dollars. The City has been reimbursed by FEMA in the amount of \$4.9 million. We have received the following from insurance: undisputed loss and damage: \$8,000,253, less the deductible: \$346,259, less the recoverable depreciation of \$1,783,670. The City has received, in total \$5,870,324 as of the report date. The recoverable depreciation of \$1,783,670 will be eligible for payment when repairs have been completed.



City of Lynn Haven, Florida
Notes to Basic Financial Statements

NOTE 19: SUBSEQUENT EVENT – FEDERAL INVESTIGATION

Beginning in April 2019, The United States District Court of the Northern District of Florida has requested certain information and records related to three of the City’s vendors and the former city manager. As of the date of the report, no additional information concerning the investigation is available.

Management believes that the investigation stems from activities directly related to “clean-up” efforts in the aftermath of Hurricane Michael, which made landfall after the fiscal period included in these financial statements. Management has performed procedures deemed appropriate to determine that no adjustment is needed in these financial statements related to the activities under investigation.

Required Supplementary Information

Schedule of Changes in the City's Total Other Postemployment Benefits Liability and Related Ratios

September 30, 2018

Total OPEB liability

Service cost	\$	31,265
Interest		11,375
Changes in benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions		(18,548)
Benefit (payments) refunds		(8,171)
Net change in OPEB liability		15,921
Total OPEB liability - beginning		344,526
Total OPEB liability - ending (a)	\$	360,447

Plan fiduciary net position

Contributions - employer	\$	-
Contributions - employee		-
Net investment income		-
Benefit payments/refunds		-
Administrative expenses		-
Net change in plan fiduciary net position		-
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending (b)	\$	-
Net OPEB liability - ending (a) - (b)	\$	360,447

Plan fiduciary net position as a percentage of the total OPEB liability 0%

Covered-employee payroll \$ 5,690,958

Net OPEB liability as a percentage of covered-employee payroll 6.33%

This schedule is intended to show information for 10 years. 2018 is the first year for this presentation, so no prior year data is available. Additional years will be included as they become available.

See independent auditors' report

City of Lynn Haven, Florida
Schedule of Employer Contributions for the Retirees' Health Insurance Other Postemployment Benefits Plan

September 30, 2018

Contractually required contribution	\$	-
Contributions in relation to the contractually required contribution		-
<hr/>		
Contribution deficiency/(excess)	\$	-
<hr/> <hr/>		
City's covered payroll	\$	5,690,958
Contributions as a percentage of covered-employee payroll		0%

This schedule is intended to show information for 10 years. 2018 is the first year for this presentation, so no prior year data is available. Additional years will be included as they become available.

See independent auditors' report

City of Lynn Haven, Florida

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

Year ended September 30,	2018	2017	2016
Total pension liability			
Service cost	\$ 673,135	\$ 623,575	\$ 600,171
Interest	1,601,695	1,535,793	1,443,346
Differences between expected and actual experience	(555,192)	(257,496)	(350,889)
Changes of assumptions	(10,211)	-	438,382
Employee contributions	(1,016,808)	(1,238,504)	(759,152)
Net change in total pension liability	692,619	663,368	1,371,858
Total pension liability - beginning	19,856,457	19,193,089	17,821,231
Total pension liability - ending (a)	20,549,076	19,856,457	19,193,089
Plan fiduciary net position			
Contributions - employer	861,267	793,327	887,944
Contributions - member	179,027	165,681	162,257
Net investment income	1,034,593	1,560,376	1,348,632
Benefit payments, including refunds of member contributions	(1,016,808)	(1,238,504)	(759,152)
Administrative expense	(59,210)	(32,941)	(28,181)
Net change in plan fiduciary net position	998,869	1,247,939	1,611,500
Plan fiduciary net position - beginning	17,559,288	16,311,349	14,699,849
Plan fiduciary net position - ending (b)	18,558,157	17,559,288	16,311,349
Net pension liability - ending (a) - (b)	\$ 1,990,919	\$ 2,297,169	\$ 2,881,740
Plan fiduciary net position as a percentage of the total pension liability	90.31%	88.43%	84.99%
City's covered payroll	\$ 3,588,614	\$ 3,305,528	\$ 3,245,125
Net pension liability as a percentage of the City's covered payroll	55.48%	69.49%	88.80%

(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 Six Fiscal Years (Continued)**

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

Notes to schedule

The city’s covered payroll numbers shown are in accordance with GASB Statement No. 82, except for the September 30, 2015 measurement period which includes DROP payroll.

Changes in assumptions: For the measurement date September 30, 2018, amounts reported as changes in assumptions resulted from an experience study dated March 6, 2018, resulting in the following changes:

- The investment rate was decreased from 8% to 7.5%.

(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 Six Fiscal Years (Continued)**

- Salary increase assumptions were updated from a flat 6% assumption to a service-based table.
- Overall salary increase assumptions were decreased.
- Normal retirement rates were updated to better reflect plan experience from assuming 100% will retire immediately once they hit normal retirement eligibility, to assuming rates based on the number of years worked beyond first normal retirement eligibility.
- Disability rates were decreased by one-third to better reflect plan experience.
- Termination rates were updated from an age-based table to a service-based table and revised to better reflect plan experience. Overall the termination rate assumption was increased.

For measurement date September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System. The inflation assumption rate was lowered from 3% to 2.6%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

City of Lynn Haven, Florida

**Schedule of the City's Contributions – General Employees' Retirement System –
Last Six Fiscal Years**

<u>Year ended September 30,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 822,316	\$ 778,361	\$ 809,145	\$ 834,900	\$ 816,608	\$ 730,071
Contributions in relation to the actuarially determined contribution	861,267	793,327	887,944	834,900	816,608	730,071
<u>Contribution deficiency (excess)</u>	<u>\$ (38,951)</u>	<u>\$ (14,966)</u>	<u>\$ (78,799)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,588,614	\$ 3,305,528	\$ 3,245,125	\$ 4,089,610	\$ 3,698,541	\$ 3,632,195
Contributions as a percentage of the City's covered payroll	24.00%	24.00%	27.36%	20.42%	22.08%	20.10%

The City's covered payroll numbers are in accordance with GASB Statement No. 82 except for the September 30, 2015 measurement period which includes DROP payroll.

(Continued)

Schedule of the City’s Contributions – General Employees’ Retirement System – Last Six Fiscal Years (Continued)

Notes to schedule

Valuation date: October 1, 2016

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	Unfunded actuarial accrued liability will be combined into a single 15-year amortization base and all future bases will be amortized over 15 years.
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.”
Disability rate	See table below under “other information.” It is assumed that 25% of disablements are service related.
Mortality rate	Healthy lives: female RP2000 generational, 100% annuitant white collar, scale BB, male RO2000 generational, 50% annuitant white collar/50% annuitant blue collar, scale BB. Disabled lives: female 100% RP2000 disabled female set forward two years, male 100% RP2000 disabled male setback four years
Interest rate	8.0% per year, compounded annually, net of investment related expenses
Retirement age	Attainment of age 55 and completion of 10 years of service
Early retirement	Commencing with eligibility for early retirement age (age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year.
Salary increases	6% per year until the assumed retirement age
Payroll growth	1.99% per year

Other information		%
	Age	Terminating
		During the
		Year
	20	17.2%
	30	15.0%
	40	8.2%
	50	1.7%
	60	0.5%

See independent auditors’ report

City of Lynn Haven, Florida

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

Year ended September 30,	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	5.87%	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 Six Fiscal Years

Year ended September 30,	2018	2017	2016
Total pension liability			
Service cost	\$ 292,982	\$ 291,017	\$ 283,018
Interest	620,208	597,635	564,143
Change in excess state money	27,951	20,749	25,295
Differences between expected and actual experience	(139,696)	(218,184)	(331,547)
Changes of assumptions	201,250	-	192,001
Employee contributions	(444,770)	(335,766)	(258,147)
Net change in total pension liability	557,925	355,451	474,763
Total pension liability - beginning	7,845,278	7,489,827	7,015,064
Total pension liability - ending (a)	8,403,203	7,845,278	7,489,827
Plan fiduciary net position			
Contributions - employer	141,741	118,040	193,200
Contributions - State	145,902	131,498	140,590
Contributions - member	74,601	62,126	62,391
Net investment income	471,140	751,774	654,947
Benefit payments, including refunds of member contributions	(444,770)	(335,766)	(258,147)
Administrative expense	(44,223)	(33,448)	(17,500)
Net change in plan fiduciary net position	344,391	694,224	775,481
Plan fiduciary net position - beginning	8,692,458	7,998,234	7,222,753
Plan fiduciary net position - ending (b)	9,036,849	8,692,458	7,998,234
Net pension liability/(asset) - ending (a) - (b)	\$ (633,646)	\$ (847,180)	\$ (508,407)
Plan fiduciary net position as a percentage of the total pension liability	107.54%	110.80%	106.79%
City's covered payroll	\$ 1,492,008	\$ 1,242,529	\$ 1,247,810
Net pension liability as a percentage of the City's covered payroll	-42.47%	-68.18%	-40.74%

(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 Six Fiscal Years (Continued)**

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

Notes to schedule

Changes in assumptions:

For measurement date September 30, 2018, amounts reported as changes in assumptions, from the March 6, 2018 experience study resulted from the following changes:

(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 Six Fiscal Years (Continued)**

- The investment return assumption was lowered from 8.0% to 7.5% net of investment related expenses.
- The salary scale now varies by service from 7.5% - 4.0% replacing the flat 6.5% assumption.
- The retirement rates were changed from 100% normal retirement eligibility and 5% per year for early retirement to rates based on age and service but keeping the 100% assumption upon the completion of 25 years of credited service.
- The termination rates are switching from an age-based assumption to one based on service varying from 15% for the first year to 0.5% at 15 years.

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.

City of Lynn Haven, Florida

**Schedule of the City's Contributions – Police Officers' Retirement System –
Last Six Fiscal Years**

Year ended September 30,	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 244,035	\$ 243,816	\$ 268,376	\$ 285,571	\$ 286,402	\$ 326,646
From excess State money reserve	27,951	20,749	25,295	-	-	-
Contributions in relation to the actuarially determined contribution	231,741	208,040	283,200	285,571	286,402	326,646
Contribution deficiency (excess)	\$ (15,657)	\$ 15,027	\$ (40,119)	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,492,008	\$ 1,242,529	\$ 1,247,810	\$ 1,287,209	\$ 1,379,386	\$ 1,266,068
Contributions as a percentage of the City's covered payroll	15.53%	16.74%	22.70%	22.19%	20.76%	25.80%

(Continued)

See independent auditors' report

City of Lynn Haven, Florida
Schedule of the City's Contributions – Police Officers' Retirement System –
Last Six Fiscal Years (Continued)

Notes to schedule

Valuation date: October 1, 2016

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	Unfunded actuarial accrued liability will be combined into a single 15-year amortization base and all future bases will be amortized over 15 years.
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.
Payroll growth	2.13% per year
Retirement age	Earlier of: 1) age 55 and 10 years of service, 2) 25 years of service, regardless of age, or 3) attainment of age 60. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.
Early retirement	Commencing with eligibility for early retirement age (age 45 with 10 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Termination rate	See table below under "other information."
Disability rate	See table below under "other information." It is assumed that 75% of disablements are service related.
Mortality rate	Healthy lives: female RP2000 generational, 100% annuitant white collar, scale BB, 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 projections scale, male 60% RP2000 disabled male setback four years/40% annuitant white collar with no setback, no projection scale

Other information

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

See independent auditors' report

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

Year ended September 30,	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	5.49%	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 Six Fiscal Years

Year ended September 30,	2018	2017	2016
Total pension liability			
Service cost	\$ 187,963	\$ 214,294	\$ 202,696
Interest	460,987	428,511	395,917
Change in excess State money	-	(581,215)	7,031
Share plan allocation	-	581,215	-
Differences between expected and actual experience	159,539	(404,891)	(92,891)
Changes of assumptions	-	211,236	245,505
Employee contributions	(175,605)	(173,914)	(191,309)
Net change in total pension liability	632,884	275,236	566,949
Total pension liability - beginning	6,258,286	5,983,050	5,416,101
Total pension liability - ending (a)	6,891,170	6,258,286	5,983,050
Plan fiduciary net position			
Contributions - employer	64,246	85,694	179,059
Contributions - State	76,493	72,877	104,062
Contributions - member	51,084	46,004	39,616
Net investment income	543,931	688,348	263,560
Benefit payments, including refunds of member contributions	(175,605)	(173,914)	(191,309)
Administrative expense	(31,788)	(36,876)	(25,141)
Net change in plan fiduciary net position	528,361	682,133	369,847
Plan fiduciary net position - beginning	6,350,032	5,667,899	5,298,052
Plan fiduciary net position - ending (b)	6,878,393	6,350,032	5,667,899
Net pension liability/(asset) - ending (a) - (b)	\$ 12,777	\$ (91,746)	\$ 315,151
Plan fiduciary net position as a percentage of the total pension liability	99.81%	101.47%	94.73%
City's covered payroll	\$ 1,021,678	\$ 920,087	\$ 792,315
Net pension liability as a percentage of the City's covered payroll	1.25%	-9.97%	39.78%

(Continued)

See independent auditors’ report

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

Year ended September 30,	2015	2014	2013
Total pension liability			
Service cost	\$ 189,512	\$ 191,324	\$ 177,152
Interest	370,363	340,740	312,224
Change in excess State money	55,979	62,154	-
Share plan allocation	-	-	-
Differences between expected and actual experience	(74,169)	-	-
Changes of assumptions	-	-	-
Employee contributions	(167,618)	(152,334)	(141,843)
Net change in total pension liability	374,067	441,884	347,533
Total pension liability - beginning	5,042,034	4,600,150	4,252,617
Total pension liability - ending (a)	5,416,101	5,042,034	4,600,150
Plan fiduciary net position			
Contributions - employer	175,202	191,373	178,051
Contributions - State	98,068	104,243	127,858
Contributions - member	40,940	41,786	38,336
Net investment income	(32,874)	509,709	416,896
Benefit payments, including refunds of member contributions	(167,618)	(152,334)	(141,843)
Administrative expense	(20,389)	(12,167)	(14,739)
Net change in plan fiduciary net position	93,329	682,610	604,559
Plan fiduciary net position - beginning	5,204,723	4,522,113	3,917,554
Plan fiduciary net position - ending (b)	5,298,052	5,204,723	4,522,113
Net pension liability/(asset) - ending (a) - (b)	\$ 118,049	\$ (162,689)	\$ 78,037
Plan fiduciary net position as a percentage of the total pension liability	97.82%	103.23%	98.30%
City's covered payroll	\$ 826,871	\$ 835,712	\$ 766,714
Net pension liability as a percentage of the City's covered payroll	14.28%	-19.47%	10.18%

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%

(Continued)

See independent auditors’ report

City of Lynn Haven, Florida

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

- 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

City of Lynn Haven, Florida City of Lynn Haven, Florida
Schedule of the City's Contributions – Firefighters' Retirement System –
Last Six Fiscal Years

Year ended September 30,	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 181,559	\$ 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	140,739	158,571	269,059	217,291	233,462	228,481
Contribution deficiency (excess)	\$ 40,820	\$ 26,907	\$ (86,824)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,021,678	\$ 920,087	\$ 792,315	\$ 826,871	\$ 835,712	\$ 766,714
Contributions as a percentage of covered-employee payroll	13.78%	17.23%	33.96%	26.28%	27.94%	29.80%

(Continued)

See independent auditors' report

City of Lynn Haven, Florida

**Schedule of the City's Contributions – Firefighters' Retirement System –
Last Six Fiscal Years (Continued)**

Notes to schedule

Valuation date: October 1, 2016

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	Unfunded actuarial accrued liability will be combined into a single 15-year amortization base and all future bases will be amortized over 15 years.
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	7.75% 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	Healthy lives: female RP2000 generational, 100% annuitant white collar, scale BB, 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 projections scale, male 60% RP2000 disabled male setback four years/ 40% annuitant white collar with no setback, no projection scale

Other information

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

[See independent auditors' report](#)

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

Year ended September 30,	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return net of investment expense	8.63%	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, 2018	Community Redevelopment	Debt Service	Other Governmental Funds Total
Assets			
Cash and cash equivalents	\$ 271,345	\$ -	\$ 271,345
Cash and cash equivalents - restricted	-	319,533	319,533
Total assets	\$ 271,345	\$ 319,533	\$ 590,878
Liabilities and fund balances			
Liabilities			
Accrued expenditures	\$ 547	\$ -	\$ 547
Total liabilities	547	-	547
Fund balances			
Restricted	270,798	319,533	590,331
Total fund balances	270,798	319,533	590,331
Total liabilities and fund balances	\$ 271,345	\$ 319,533	\$ 590,878

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, 2018	Community Redevelopment	Debt Service	Other Governmental Funds Total
Revenues			
Taxes			
Property taxes	\$ 299,185	\$ -	\$ 299,185
Interest	4,820	7,377	12,197
Total revenues	304,005	7,377	311,382
Expenditures			
Current			
Development and planning	136,593	-	136,593
Capital outlay	446,472	-	446,472
Debt service			
Principal	-	966,177	966,177
Interest and fiscal charges	-	209,664	209,664
Total expenditures	583,065	1,175,841	1,758,906
Excess (deficit) of revenues over (under) expenditures	(279,060)	(1,168,464)	(1,447,524)
Other financing sources (uses)			
Transfers in	-	1,266,527	1,266,527
Total other financing sources (uses)	-	1,266,527	1,266,527
Net changes in fund balances	(279,060)	98,063	(180,997)
Fund balances - beginning	549,858	221,470	771,328
Fund balances - ending	\$ 270,798	\$ 319,533	\$ 590,331

See independent auditors' report.

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

September 30, 2018	Firefighters' Pension Trust Fund	Police Officers' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Assets				
Investment savings	\$ 6,873,914	\$ 9,022,106	\$ 18,527,567	\$ 34,423,587
Interest receivable	10,814	14,743	31,313	56,870
Contributions receivable	3,539	-	-	3,539
Total assets	6,888,267	9,036,849	18,558,880	34,483,996
Liabilities				
Prepaid city contributions	19,097	40,749	132,716	192,562
Total liabilities	19,097	40,749	132,716	192,562
Net position				
Held in trust for pension benefits	\$ 6,869,170	\$ 8,996,100	\$ 18,426,164	\$ 34,291,434

See independent auditors' report.

City of Lynn Haven, Florida

Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds

Year Ended September 30, 2018	Firefighters' Pension Trust Fund	Police Officers' Pension Trust Fund	General Employees' Pension Trust Fund	Total
Additions				
Contributions				
Employer	\$ 105,067	\$ 126,084	\$ 822,316	\$ 1,053,467
Plan members	51,084	74,601	179,431	305,116
State	80,032	145,902	-	225,934
Total contributions	236,183	346,587	1,001,747	1,584,517
Investment income				
Net increase in fair value of investments	426,213	309,935	669,194	1,405,342
Interest	50,249	650	4,016	54,915
Dividends	117,395	197,266	397,334	711,995
	593,857	507,851	1,070,544	2,172,252
Less investment expenses				
Professional fees	63,683	60,386	71,844	195,913
Insurance	2,540	2,588	2,426	7,554
Bank charges	9,156	17,960	20,950	48,066
Net investment earnings	518,478	426,917	975,324	1,920,719
Total additions	754,661	773,504	1,977,071	3,505,236
Deductions				
Benefits	172,284	375,678	967,677	1,515,639
Refunds of contributions	3,321	69,091	48,348	120,760
Total deductions	175,605	444,769	1,016,025	1,636,399
Change in net position	579,056	328,735	961,046	1,868,837
Net position - beginning	6,290,114	8,667,365	17,465,118	32,422,597
Net position - ending	\$ 6,869,170	\$ 8,996,100	\$ 18,426,164	\$ 34,291,434

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, 2018, and have issued our report thereon dated July 22, 2019.

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 on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' 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 July 22, 2019, 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.b. 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 noted findings 2018- 002, 2018-004, and 2018-005 as recommendations to improve financial management.

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 noted finding 2018- 003, noncompliance with the adherence to the City's purchasing policies.

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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
July 22, 2019



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

INDEPENDENT ACCOUNTANTS' REPORT

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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, 2018. Management of the City is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements 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 the City complied, in all material respects, with the specified requirements identified above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, 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 complied, in all material respects with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018 .

This report is intended solely for the information and use of the Commissioners, 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
July 22, 2019

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, 2018, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 22, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified the following deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses; 2018-001, 2018-002, 2018-003, 2018-004, and 2018-005.

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*.

City's Responses to Findings

The views of responsible officials and planned corrective actions identified in our audit are included in the accompanying schedule of findings and questioned costs. The views of responsible officials and planned corrective actions were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
July 22, 2019

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, Florida'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, 2018. 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, 2018.

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 major 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, as described on the accompanying schedule of findings and questioned costs that we consider to be a 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
July 22, 2019

City of Lynn Haven, Florida
Schedule of Expenditures of State Financial Assistance
Year Ended September 30, 2018

State Projects	CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Florida Department of Environmental Protection				
Florida recreation development assistance program	37.017	A17121	\$ 6,804	\$ -
Florida recreation development assistance program	37.017	A17122	36	-
Statewide surface water restoration and wastewater projects	37.039	LP03027	9,550	-
Drinking water facility construction	37.076*	DW030290	1,293,549	-
Wastewater treatment facility construction	37.077*	WW030260	3,094,953	-
Total Florida Department of Environmental Protection			4,404,892	-
Florida Department of Transportation				
Florida shared-use nonmotorized (sun) trail network program	55.038	439928-1-34-01	80,800	-
Total Florida Department of Transportation			80,800	-
Total expenditures of state financial assistance			\$ 4,485,692	\$ -

* denotes major project

Drinking water facility construction loan balance				
Beginning balance October 1, 2017			\$ -	
Current year expenditures			1,293,549	
Ending balance September 31, 2018			\$ 1,293,549	
Wastewater treatment facility construction loan balance				
Beginning balance October 1, 2017			\$ -	
Current year expenditures			3,094,953	
Ending balance September 31, 2018			\$ 3,094,953	

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.

See independent auditors' report.

City of Lynn Haven, Florida
Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

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

State Projects

Internal control over major programs		
Material weakness(es) identified?	___ yes	<u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	___ yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557 for local government entities?	___ yes	<u> X </u> no
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Identification of major projects

<u>CSFA Number</u>	<u>State Project</u>
37.076	Drinking water facility construction
37.077	Wastewater treatment facility construction

Dollar threshold used to distinguish between Type A and Type B projects:	<u>\$300,000</u>
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(Continued)

City of Lynn Haven, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

Section II - Financial Statement Findings

2018-001 – Segregation of duties

Condition: Incompatible duties are being performed by a single staff member. As an example, the bookkeeper who performs the payroll function also has access to the payroll database and can and does regularly change employee pay rates. Also, the same bookkeeper who is in charge of the review, entering and processing of accounts payable, also has access to the purchase order system which could allow her to make unauthorized changes. In addition, the Deputy Finance Director prepares and posts journal entries to the general ledger without a formal review and approval process.

Criteria: Authorization, custody, and record-keeping duties should be segregated to provide a level of assurance that assets and transactions are handled properly.

Effect: Not having proper segregation of duties increases the possibility of undetected errors, irregularities, and misappropriation of assets.

Cause: The City has a limited number of staff which leads to certain incompatible duties being performed by a single person.

Recommendation: Incompatible duties should be separated as much as possible and compensating controls should be implemented when it is not possible, in order to reduce the associated risks. Computer passwords should be assigned to individuals that limit their access to only those functions necessary for performing their assigned duties. Monthly financial activity such as journal entries should be reviewed and approved by an independent member of management with sufficient knowledge.

Views of responsible officials and planned corrective action: The City agrees that the current department structure does not allow for separation of critical accounting duties. The City in FY19 has advertised a budget manager position which will allow the City to separate certain incompatible duties in the accounting and finance function. Compensating controls will be evaluated if a complete separation of duties is not possible due to limited financial staff.

A Personnel Action Form signed by Human Resources is required for all payroll changes entered by the Finance Department. The City has removed the bookkeeper's ability to make changes to the payroll database.

The City will also review and update financial system security roles and assign and provide training to an administrator(s).

2018-002 – Inconsistent review of financial information

Condition: Financial information prepared by the Finance Director is not being reviewed by management, department heads and City Commissioners on a consistent basis.

Criteria: Financial information should be available and reviewed on a timely basis by the Commissioners and management.

City of Lynn Haven, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

Effect: Financial information not consistently reviewed by those in charge of the governance of the City increases the possibility of undetected errors and irregularities. This can also lead to department heads exceeding approved budgets and a failure to appropriately track expenditures.

Cause: While department heads and management have access to financial information, there is no formal process of verifying the information is being reviewed. Commissioners are not provided financial information on a consistent and timely basis.

Recommendation: Department heads and management should be required to review and approve, preferably in writing, their department's budget to actual reports. The Commissioners should be given timely financial information for their review.

Views of responsible officials and planned corrective action: The City agrees with the finding. The City's updated network and equipment project was near 95% completed prior to Hurricane Michael with new data lines and software to allow department heads and budget manager's access to the financial software system. The City was also in the process of implementing electronic requisitions to stream-line the purchasing processes and adding budget controls. Progress was delayed due to hurricane damage of buildings, equipment and infrastructure.

The City will continue with plans to establish access of financial system information to City Staff and to provide resources to improve the functionality of our financial software. The City will also develop a consistent schedule and format for distributing financial information.

2018-003 – Adherence to purchasing policies

Condition: The City's purchasing policies are not being followed on a consistent basis. During our audit procedures we noted instances where purchases were made that were above the City's thresholds that require bids to be obtained where there was no bidding documentation evident and no indication on the purchasing documentation as to why not receiving bids in accordance with the City's policies may have been appropriate (e.g. a sole source purchase, which requires written documentation from the department head.) CRI also noted instances where the City's purchasing policies were potentially being abused by management by modifying purchase amounts through splitting up projects into multiple purchase orders so that invoices would fall below the bidding requirement thresholds.

As an example, the City purchased uniforms for \$34,900 from a new vendor during fiscal year 2018. In a consecutive invoice from the same vendor, on the same day, the City also paid \$8,500 for website setup to order the uniforms. As a single purchase, this would have exceeded the City's \$35,000 threshold requiring competitive bids. Even separated, at a minimum, informal bids are required above \$2,000 according to the City's purchasing policies, unless certain exceptions are met, like sole source purchases. The City had no documentation that bids were obtained or that an exception to the City's purchasing policies had been met.

Criteria: The City's purchasing policy (amended October 10, 2017) indicates, with certain exceptions, competitive bids should be obtained for all purchases of goods and services expected to cost over \$2,000, and purchases of \$35,000 or more require formal bidding procedures and approval of the City Commission either via the budget or by specific vote.

City of Lynn Haven, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

Effect: Purchasing policies not adhered to, or abused, can increase the risk of unauthorized purchases or purchases being made at higher than necessary rates when bids aren't obtained.

Cause: The City is not always following their approved purchasing policies, and does not have controls in place to ensure these policies are not being abused. In the example above, upon inquiry City management indicated that this was a sole source purchase. However, for sole source purchases the City's purchasing policies require the purchasing department to make that determination upon review of a written summary of facts from the department head requesting the purchase. In this case, the purchase was handled by the City Manager and there is no written documentation to support this as a sole source vendor and, based on some general inquiries of other vendors, does not appear to be a sole source vendor based on the reasoning provided by management.

Recommendation: The City should implement controls to make sure purchasing policies are adhered to and that department heads and management are not attempting to abuse those policies by splitting purchases and projects into smaller pieces to avoid purchasing requirements. When exceptions to bidding requirements are used (e.g. sole source, emergency, etc.) these should be in writing and filed along with the purchasing records. Multiple invoices from the same vendor should be reviewed to determine whether the charges result from a single event and should be considered as a single purchase that would exceed certain purchasing policy thresholds.

Views of responsible officials and planned corrective action: The City agrees with the finding. The City will evaluate current purchasing procedures to determine adjustments needed to ensure compliance to the City's purchasing policies.

2018-004 – Inadequate purchasing policies

Condition: The City's current purchasing policies (amended October 10, 2017) include a stipulation that the City Manager can make purchases up to \$10,000 without receiving bids if it is considered it to be in the best interest of the City. This is an inadequate policy from an internal control standpoint because it allows the individual involved in the final approval of most expenditures, to make expenditures up to \$10,000 without independent oversight. The policy does not require any documentation to support the use of the exception or how to determine that a purchase without competitive bids is in the best interest of the City.

Criteria: Purchasing policies should be designed to allow timely, efficient, and cost effective purchases while minimizing the risk of fraudulent activity.

Effect: Inadequate purchasing policies allow for the potential for fraudulent activity or abuse to occur, as well as poor purchasing decisions resulting in potentially poor quality or overpriced goods and services.

Cause: The City has instituted inadequate purchasing policies.

Recommendation: The City should implement adequate purchasing policies that also include an independent oversight and approval process. In situations where the bidding process is not practical or possible, the exceptions should be limited to specific situations and not include subjective criteria such as, when it is in the best interest of the City.

City of Lynn Haven, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2018

Views of responsible officials and planned corrective action: The City agrees with the finding. Management will review and amend the Purchasing Policy to include independent oversight. Where policy exceptions appear subjective, specific situations and back-up documentation will be required.

2018-005 – Significant audit adjustments

Condition: Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to conform to GAAP.

Criteria: The requirement is for the City to prepare their financial statements in accordance with GAAP.

Effect: Financial statements are not in conformity with GAAP prior to adjustment.

Cause: Adjustments were necessary for the City prepared financial statements to be in accordance with GAAP.

Recommendation: While we realize it would not be financially feasible to implement procedures necessary to eliminate all proposed audit adjustments, we recommend striving to reduce the number of adjustments needed as much as possible. For example, reclassification adjustments were required related to capital outlay for projects that were initially considered current operating expenditures, beginning net position in one of the enterprise funds did not agree with prior year ending net position, and certain year end accrual adjustments were necessary in the current year.

Views of responsible officials and planned corrective action: The City agrees with this finding. Most of the adjustments were for fixed assets transactions. The City's fixed asset records are maintained using an excel spreadsheet which is manually adjusted throughout the year to add capital purchases and other adjustments noted during physical inventories of capital assets performed annually.

The City has acquired a fixed asset software module for our financial software. Implementation of our fixed asset module to automate fix asset additions and calculate depreciation expense is planned in the fiscal year beginning October 1, 2020.

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 finding