

**CITY OF LYNN HAVEN, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**CITY OF LYNN HAVEN, FLORIDA  
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SEPTEMBER 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,  
City of Lynn Haven, Florida:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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## ***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, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Emphasis of Matter*

As discussed in Note (13) to the financial statements, during the year ended September 30, 2019, the City was severely impacted by Hurricane Michael. As a result of activities that occurred during the recovery efforts subsequent to landfall of Hurricane Michael, two former members of the City's management had various criminal charges brought against them related to fraudulent transactions with certain City vendors. The financial statements do not include any adjustment that might result from the outcome of this matter. Our opinions are not modified with respect to this matter.

### *Required Supplementary Information*

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

### *Other Information*

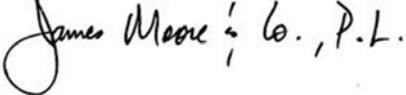
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards and state financial assistance as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Section 215.97, Florida Statutes, *Florida Single Audit Act*; and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedule of expenditures of federal awards and 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Daytona Beach, Florida  
June 23, 2020

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial "J" and a stylized "M".

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Lynn Haven, Florida (hereinafter referred to as the "City") offers the readers of these basic financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2019. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. The City encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section.

### **Financial Highlights**

- The total assets of the City of Lynn Haven, Florida exceeded its liabilities at the close of the most recent fiscal year by \$65,124,474 (net position). Of this amount, \$6,876,420 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by (\$4,935,442) in fiscal year 2019, after restatements to beginning net position. Net position of the City's governmental activities increased (decreased) by (\$6,769,627), while net position of its business type activities increased (decreased) by \$1,834,185.
- The City's governmental funds reported a combined ending fund balance of \$35,460,161 at the end of the current fiscal year, which increased (decreased) by \$26,165,973 in comparison to the \$9,294,188 (as restated) reported at the end of the prior fiscal year. Approximately \$6,535,144 of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of the 2019 fiscal year, unassigned fund balance for the General Fund was \$6,535,144 or 44% of the total fiscal year 2019 General Fund expenditures of \$14,841,637.
- The City's total long-term debt obligations increased by \$30,273,837 during the fiscal year, due to the issuance of new bonds (\$31,810,000) related to the Hurricane Michael recovery, less scheduled current-year principal maturities/reductions on existing obligations. The City's combined long-term commitment for compensated absences totaled \$517,162 at year-end.

### **Overview of the Financial Statements**

The City's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including various pension-related schedules.

Management's discussion and analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the City's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, as well as other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the City. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the City's overall financial status, including its governmental activities and its business-type activities. These statements report information about the City using full accrual accounting methods, and an economic resources focus, as utilized by similar business activities in the private sector. Information concerning the City's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are

fund financial statements that focus on individual parts of the City government and report the City's operations in more detail than the government-wide financial statements. The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the City's water utility system. Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others (like the retirement plans for the City's police officers, firefighters, and general employees), to whom the resources in question belong.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the City's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the City's governmental fund activities.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The basic financial statements of the City include a statement of net position and a statement of activities, which are described as follows:

- A statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of its fiscal year, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net position, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government services, public safety (police and building inspection), streets, storm water management, solid waste management, the Community Redevelopment Agency, disaster recovery and relief efforts, and recreation and leisure services. The business-type activities of the City include its water utility, sewer utility, stormwater utility, and sanitation activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 15 and 17.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community redevelopment fund, and disaster recovery fund, all of which are considered to be major funds. The City has two nonmajor governmental funds, the debt service fund and the Hurricane Michael disaster relief fund.

**Proprietary Funds.** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The City's enterprise funds (water utility, sewer utility, stormwater utility, and sanitation) are the items included in the business-type activities presented in the government-wide statements. Since the accounting for these operations is similar to that provided in the government-wide financial statements, the fund financial statements provide limited supplemental information in more detail, such as cash flows data. The basic proprietary fund financial statements can be found on pages 18 to 20 of this report.

**Fiduciary Funds.** Funds held in trust on behalf of the City's defined benefit pension plans, which account for the plan contribution activity, investment income, and benefit payments to retirees. The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report.

## **Financial Analysis of the City as a Whole**

**Net Position.** As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined total assets exceeded liabilities (net position) by \$24,170,106 at the end of 2019, compared to \$30,391,540 at the end of 2018. This represents a total decrease of \$6,221,434 or 20.5% from the amount reported at the end of the prior fiscal year.

The following is a summary of net position at year end:

**Net Position  
September 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Current and other assets	\$ 41,011,891	\$ 9,655,541	\$ 17,755,638	\$ 16,757,460	\$ 58,767,529	\$ 26,413,001
Net pension asset	382,056	633,646	-	-	382,056	633,646
Capital assets	31,950,613	33,323,270	47,039,374	44,713,768	78,989,987	78,037,038
Total assets	\$ 73,344,560	\$ 43,612,457	\$ 64,795,012	\$ 61,471,228	\$ 138,139,572	\$ 105,083,685
<b>DEFERRED OUTFLOWS</b>	\$ 1,573,989	\$ 1,143,864	\$ 671,613	\$ 610,876	\$ 2,245,602	\$ 1,754,740
<b>LIABILITIES</b>						
Current liabilities	\$ 5,766,492	\$ 406,131	\$ 2,691,079	\$ 344,450	\$ 8,457,571	\$ 750,581
Noncurrent liabilities:	43,978,232	12,660,588	21,576,384	22,620,191	65,554,616	35,280,779
Total liabilities	\$ 49,744,724	\$ 13,066,719	\$ 24,267,463	\$ 22,964,641	\$ 74,012,187	\$ 36,031,360
<b>DEFERRED INFLOWS</b>	\$ 1,003,719	\$ 1,298,062	\$ 244,794	\$ 275,833	\$ 1,248,513	\$ 1,573,895
<b>NET POSITION</b>						
Net investment in capital assets	\$ 22,597,510	\$ 23,133,032	\$ 25,199,730	\$ 23,597,336	\$ 47,797,240	\$ 46,730,368
Restricted	5,615,077	4,730,475	4,835,737	3,875,283	10,450,814	8,605,758
Unrestricted	(4,042,481)	2,528,033	10,918,901	11,369,011	6,876,420	13,897,044
Total net position	\$ 24,170,106	\$ 30,391,540	\$ 40,954,368	\$ 38,841,630	\$ 65,124,474	\$ 69,233,170

The most significant component of the City's net position (approximately 73%) is, by far, its investment in capital assets (land, infrastructure, buildings, and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that 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.

An additional portion of the City's net position (16%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 11% of unrestricted net position, represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, and totaled \$6,876,420 at year-end, compared to \$13,897,044 in 2018. The main reason for the decrease from the prior year was due to the financial effects from Hurricane Michael, which impacted the City in October 2018.

The City's unrestricted net position decreased from \$2,528,033 to a deficit of (\$4,042,481) due to the impacts of Hurricane Michael. The City expects to recover some of these losses as additional grant reimbursements are approved and disbursed by FEMA.

**Changes in Net Position.** While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2019, total revenues were \$52,144,193 compared to \$26,455,904 in the prior year. Approximately 9% of the City's revenue came from property taxes, 15% from other taxes and fees, 20% came from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues, including substantial FEMA reimbursements related to Hurricane Michael.

During 2019, expenses were \$57,079,635 as opposed to \$21,169,200 in the prior year, for an increase of approximately 170% due to the impacts of Hurricane Michael (\$34.3 million or 60% of 2019 expenditures). City-wide, public safety expenses accounted for approximately 10% of the City's

expenses, water, sewer, stormwater, and sanitation expenses collectively were 16%. The other functions, including the general government, planning and code enforcement, transportation, economic environment, and culture and recreation each individually totaled close to or less than 10% of expenses relative to the City as a whole.

The following is a summary of changes in net position at year end:

**Changes in Net Position  
For the Fiscal Years Ended September 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Property taxes	4,433,135	4,223,715	\$ -	\$ -	\$ 4,433,135	\$ 4,223,715
Other taxes and fees	7,739,779	5,923,456	-	-	7,739,779	5,923,456
Charges for services	1,793,443	1,038,995	8,842,561	11,707,222	10,636,004	12,746,217
Intergovernmental and grants	26,170,150	3,022,602	2,548,781	18,550	28,718,931	3,041,152
Other revenues	394,821	272,585	221,523	248,779	616,344	521,364
Total revenues	<u>40,531,328</u>	<u>14,481,353</u>	<u>11,612,865</u>	<u>11,974,551</u>	<u>52,144,193</u>	<u>26,455,904</u>
<b>EXPENSES</b>						
General government	1,724,217	1,392,606	-	-	1,724,217	1,392,606
Planning and code enforcement	1,428,182	763,336	-	-	1,428,182	763,336
Public safety	5,826,863	5,113,940	-	-	5,826,863	5,113,940
Physical environment	-	-	-	-	-	-
Transportation	1,915,644	1,811,570	-	-	1,915,644	1,811,570
Economic environment	220,504	867,850	-	-	220,504	867,850
Culture and recreation	1,496,078	2,467,735	-	-	1,496,078	2,467,735
Disaster recovery	34,304,682	-	-	-	34,304,682	-
Water utility	-	-	2,902,713	2,728,892	2,902,713	2,728,892
Sewer utility	-	-	2,797,537	2,871,387	2,797,537	2,871,387
Stormwater utility	-	-	1,189,897	1,049,360	1,189,897	1,049,360
Sanitation	-	-	2,364,623	1,850,376	2,364,623	1,850,376
Interest expense	384,785	252,148	523,910	-	908,695	252,148
Total expenses	<u>47,300,955</u>	<u>12,669,185</u>	<u>9,778,680</u>	<u>8,500,015</u>	<u>57,079,635</u>	<u>21,169,200</u>
Income before transfers	(6,769,627)	1,812,168	1,834,185	3,474,536	(4,935,442)	5,286,704
Transfers	-	1,131,363	-	(1,131,363)	-	-
Change in net position	(6,769,627)	2,943,531	1,834,185	2,343,173	(4,935,442)	5,286,704
Net position, beginning of year, as restated	30,939,733	27,448,009	39,120,183	36,498,457	70,059,916	63,946,466
Net position, end of year	<u>\$ 24,170,106</u>	<u>\$ 30,391,540</u>	<u>\$ 40,954,368</u>	<u>\$ 38,841,630</u>	<u>\$ 65,124,474</u>	<u>\$ 69,233,170</u>

\*2019 beginning of year net position amounts have been restated. 2018 amounts are shown as presented in the prior year financial statements.

**Governmental Activities**

Revenues for the City's governmental activities totaled \$40,531,328 in 2019. This represents an increase of over \$26 million more than last year's reported revenues of \$14,481,353, and is primarily related to the grant and insurance reimbursements related to Hurricane Michael.

Governmental activities expenses totaled \$47,300,955, which increased nearly \$35 million from the prior year due to the impacts of Hurricane Michael.

**Business-Type Activities**

The major source of operating revenues for the City's business-type activities is charges for services (water, sewer, stormwater, sanitation), which during the year decreased to a total of \$8,842,561 less than utility billings of \$11,974,551 in 2018 due to the lesser consumption in the aftermath of Hurricane Michael. Intergovernmental and grant revenues, however, did increase to over \$2.5 million in 2019 from just \$18,550 in 2018.

Total operating expenses of the proprietary funds fund in 2019 and totaled \$9,778,680, compared to \$8,500,015 in 2018, an increase of over \$1.2 million, primarily due to increased sanitation expenses.

## Financial Analysis of the City's Funds

As stated previously, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the City completed the year, its governmental funds reported a combined fund balance of \$35,460,161, which was an increase (decrease) of \$25,617,779 compared with the amount reported last year. This increase was primarily related to net debt proceeds and grant/insurance reimbursements relative to disaster recovery expenditures related to Hurricane Michael; the majority of such amounts included in the City's fund balance are restricted for the disaster recovery and debt repayment.

The general fund is the chief operating fund of the City. As of September 30, 2019, the unassigned fund balance in the general fund totaled \$6,535,144. This unassigned fund balance represents approximately 44% of the City's spending requirements experienced during 2019.

The City's community redevelopment fund had a fund balance of \$517,982 at the end of the year, an increase of \$247,184 from the prior year. All amount held in this fund are restricted for reinvestment in the community redevelopment district.

The Disaster Recovery fund, which was established in 2019, had an ending fund balance of \$22,632,972, all of which was restricted and related to debt proceeds and grant/insurance reimbursements in excess of disaster recovery expenditures in 2019. The ending fund balance in the Disaster Recovery Fund will be fully expended over of course of the coming years to facilitate rebuilding of City property damaged by Hurricane Michael.

**Proprietary Fund.** The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Charges for services in the proprietary funds decreased \$2,864,661 from the prior year, with similar decreases observed in the water, sewer, and stormwater funds due to decreased customer activity in the months following Hurricane Michael.

## General Fund Budgetary Highlights

The State Half Cent sales tax brought in \$190,064 more than originally budgeted.

General Fund Expenditures were significantly down due to the impact of Hurricane Michael. A few examples include: Diminished need for Facilities Maintenance resulted in a \$362,901 savings. The Fire Department recognized a savings of \$191,209 by postponing capital outlay and vehicle purchases. The Customer Service Department saved \$127,858 through a variety of cost cutting measures. The Streets Department saved \$267,157 by postponing projects and delaying vehicle purchases. Economic Development delayed a number of projects recording a savings of \$211,690. The Library did not need its budget as it was severely damaged. Community Services did not use \$308,405 of its budget as many events were canceled.

All of these factors combined resulted in \$2,731,881 increase to General Fund Balance for Fiscal Year 2019.

## **Capital Assets and Debt Administration**

*Capital Assets.* At September 30, 2019, the City had nearly \$89 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. See Note (6) for further information on the City's capital assets.

*Long-Term Debt.* The City has various notes and bonds payable totaling \$63,673,039 at year-end, compared to \$31,996,415 one year earlier. The proceeds of these loans, which were drawn in increments over various preceding years including a \$31 million bond issue in 2019 related to the recovery from Hurricane Michael, were used to finance various capital improvements. Under these agreements, the City must repay these loans with semiannual payments.

More detailed information about the City's long-term debt is presented in Note (7) to the financial statements.

## **Economic Factors and Next Year's Budgets and Rates**

Many factors are considered each year by the City Commission in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform user fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- Due to the COVID-19 pandemic budget forecasts for fiscal 2020 are in flux.
- The most recent estimates available for unemployment data in the Lynn Haven, Bay County, and the State of Florida are compiled by the Florida Department of Economic Opportunity. Unemployment rates will be higher than previously forecast. US Bureau of Labor Statistics reports a preliminary unemployment number for April 2020 of 12.6%.
- Property tax revenue will surpass the budget of \$3,775,300 by at least \$57,000. Fiscal 2020's approved millage rate of 3.9 was adequate to meet budget projections. Preliminary evaluations received from the Bay County Property Appraiser estimate a 7% increase in property value for Fiscal 2021. The necessity for a millage rate adjustment will be analyzed in the coming months.
- The City issued the following development orders during Fiscal Year 2019: 180 Single Family Homes, 10 Commercial Properties and 154 Multi-Family homes were completed.
- The fiscal year 2020 budgets adopted for all funds utilized the prior year's final adopted budgets and the City's actual financial results as the baseline from which priority setting and decisions were made to formulate the new budgets. The final budget was further modified to reflect changing revenue projections and anticipated changes in expenditure trends.
- Inflationary trends for Bay County are consistent with those trends experienced at the state and national levels.

## **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. 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 Ave, Lynn Haven, FL 32444. Information can also be obtained at the City's website at [www.cityoflynnhaven.com](http://www.cityoflynnhaven.com) or via email to [cityhall@cityoflynnhaven.com](mailto:cityhall@cityoflynnhaven.com).

**CITY OF LYNN HAVEN, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 10,274,372	\$ 10,594,834	\$ 20,869,206
Receivables, net	1,019,856	1,185,915	2,205,771
Internal balances	24,001	(24,001)	-
Due from other governments	11,196,309	794,269	11,990,578
Notes receivable	-	102,363	102,363
Inventories	32,573	93,254	125,827
Prepays	192,195	48,333	240,528
Restricted assets:			
Equity in pooled cash	18,272,585	4,960,671	23,233,256
Net pension asset	382,056	-	382,056
Capital assets:			
Capital assets, not being depreciated	3,459,781	12,979,403	16,439,184
Other capital assets, net of depreciation	28,490,832	34,059,971	62,550,803
Total assets	<u>\$ 73,344,560</u>	<u>\$ 64,795,012</u>	<u>\$ 138,139,572</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	\$ -	\$ 414,615	\$ 414,615
Deferred outflows related to pensions	1,563,843	253,903	1,817,746
Deferred outflows related to OPEB	10,146	3,095	13,241
Total deferred outflows	<u>\$ 1,573,989</u>	<u>\$ 671,613</u>	<u>\$ 2,245,602</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 5,444,136	\$ 358,145	\$ 5,802,281
Customer deposits	9,020	344,465	353,485
Unearned revenue	98,574	145,311	243,885
Accrued interest payable	158,613	124,934	283,547
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	1,161,190	1,700,810	2,862,000
Compensated absences	56,149	17,414	73,563
Due in more than one year:			
Bonds and notes payable	40,257,590	20,553,449	60,811,039
Compensated absences	344,918	98,681	443,599
Total OPEB liability	289,506	88,307	377,813
Net pension liability	1,925,028	835,947	2,760,975
Total liabilities	<u>\$ 49,744,724</u>	<u>\$ 24,267,463</u>	<u>\$ 74,012,187</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	\$ 981,182	\$ 237,920	\$ 1,219,102
Deferred inflows related to OPEB	22,537	6,874	29,411
Total deferred inflows of resources	<u>\$ 1,003,719</u>	<u>\$ 244,794</u>	<u>\$ 1,248,513</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 22,597,510	\$ 25,199,730	\$ 47,797,240
Restricted for:			
Pensions	414,497	-	414,497
Law enforcement education	3,883	-	3,883
Capital expansion	1,614,214	3,262,915	4,877,129
Infrastructure	2,897,839	-	2,897,839
Disaster recovery and relief	2,884	-	2,884
Debt service	163,778	1,572,822	1,736,600
Community redevelopment	517,982	-	517,982
Unrestricted	(4,042,481)	10,918,901	6,876,420
Total net position	<u>\$ 24,170,106</u>	<u>\$ 40,954,368</u>	<u>\$ 65,124,474</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,724,217	\$ 356,204	\$ 386,916	\$ -	\$ (981,097)	\$ -	\$ (981,097)
Planning and code enforcement	1,428,182	1,162,124	-	-	(266,058)	-	(266,058)
Public safety	5,826,863	230,995	18,191	175,915	(5,401,762)	-	(5,401,762)
Transportation	1,915,644	-	421,990	24,926	(1,468,728)	-	(1,468,728)
Economic environment	220,504	-	-	6,781	(213,723)	-	(213,723)
Culture and recreation	1,496,078	37,063	-	126,854	(1,332,161)	-	(1,332,161)
Disaster recovery	34,304,682	7,057	24,090,281	-	(10,207,344)	-	(10,207,344)
Interest on long-term debt	384,785	-	-	-	(384,785)	-	(384,785)
Total governmental activities	47,300,955	1,793,443	24,917,378	334,476	(20,255,658)	-	(20,255,658)
Business-type activities:							
Water	3,043,348	3,408,921	291,015	239,727	-	896,315	896,315
Sewer	3,090,153	2,826,500	-	740,754	-	477,101	477,101
Stormwater	1,280,556	350,369	1,127,812	129,475	-	327,100	327,100
Sanitation	2,364,623	2,292,626	-	19,998	-	(51,999)	(51,999)
Total business-type activities	9,778,680	8,878,416	1,418,827	1,129,954	-	1,648,517	1,648,517
Total primary government	\$ 57,079,635	\$ 10,671,859	\$ 26,336,205	\$ 1,464,430	(20,255,658)	1,648,517	(18,607,141)
General revenues:							
Property taxes					4,433,135	-	4,433,135
Sales taxes					2,245,884	-	2,245,884
Infrastructure surtax					2,082,868	-	2,082,868
Communications service tax					477,205	-	477,205
Casualty and fire insurance premium taxes					246,640	-	246,640
Public service taxes					1,384,275	-	1,384,275
Other taxes					97,310	-	97,310
Franchise fees					1,205,597	-	1,205,597
State revenue sharing					918,296	-	918,296
Investment earnings					322,085	185,668	507,753
Miscellaneous revenues					72,736	-	72,736
Total general revenues and transfers					13,486,031	185,668	13,671,699
Change in net position					(6,769,627)	1,834,185	(4,935,442)
Net position - beginning of year, as restated					30,939,733	39,120,183	70,059,916
Net position - ending of year					\$ 24,170,106	\$ 40,954,368	\$ 65,124,474

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	<u>General</u>	<u>Community Redevelopment</u>	<u>Disaster Recovery</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Equity in pooled cash and cash equivalents	\$ 11,369,535	\$ 512,102	\$ 16,340,045	\$ 325,275	\$ 28,546,957
Receivables, net	37,948	-	981,908	-	1,019,856
Due from other governments	869,544	-	10,326,765	-	11,196,309
Due from other funds	24,001	6,643	-	-	30,644
Inventories	32,573	-	-	-	32,573
Prepaid items	5,000	-	187,195	-	192,195
Total assets	<u>\$ 12,338,601</u>	<u>\$ 518,745</u>	<u>\$ 27,835,913</u>	<u>\$ 325,275</u>	<u>\$ 41,018,534</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 240,432	\$ 763	\$ 5,202,941	\$ -	\$ 5,444,136
Customer deposits	9,020	-	-	-	9,020
Unearned revenue	98,574	-	-	-	98,574
Due to other funds	6,643	-	-	-	6,643
Total liabilities	<u>354,669</u>	<u>763</u>	<u>5,202,941</u>	<u>-</u>	<u>5,558,373</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventories	32,573	-	-	-	32,573
Prepaid items	5,000	-	187,195	-	192,195
Restricted for:					
Law enforcement education	3,883	-	-	-	3,883
Capital expansion	1,614,214	-	-	-	1,614,214
Infrastructure	2,897,839	-	-	-	2,897,839
Capital projects	255,677	-	-	-	255,677
Disaster recovery and relief	-	-	22,445,777	2,884	22,448,661
Debt service	-	-	-	322,391	322,391
Community redevelopment	-	517,982	-	-	517,982
Assigned to:					
Subsequent year's budget	639,602	-	-	-	639,602
Unassigned	6,535,144	-	-	-	6,535,144
Total fund balances	<u>11,983,932</u>	<u>517,982</u>	<u>22,632,972</u>	<u>325,275</u>	<u>35,460,161</u>
Total liabilities and fund balances	<u>\$ 12,338,601</u>	<u>\$ 518,745</u>	<u>\$ 27,835,913</u>	<u>\$ 325,275</u>	<u>\$ 41,018,534</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

<b>Fund balances - total governmental funds</b>		\$ 35,460,161
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p>		
Total governmental capital assets	45,073,973	
Less: accumulated depreciation	<u>(13,123,360)</u>	31,950,613
<p>On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.</p>		
Net pension liability	(1,925,028)	
Net pension asset	382,056	
Deferred outflows related to pensions	1,563,843	
Deferred inflows related to pensions	<u>(981,182)</u>	(960,311)
<p>On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.</p>		
Total OPEB liability	(289,506)	
Deferred outflows related to OPEB	10,146	
Deferred inflows related to OPEB	<u>(22,537)</u>	(301,897)
<p>Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:</p>		
Bonds and notes payable	(41,418,780)	
Accrued interest payable	(158,613)	
Compensated absences	<u>(401,067)</u>	(41,978,460)
<b>Net position of governmental activities</b>		<u><u>\$ 24,170,106</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>General</u>	<u>Community Redevelopment</u>	<u>Disaster Recovery</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 8,667,039	\$ 354,845	\$ -	\$ -	\$ 9,021,884
Permits and fees	2,768,861	-	-	-	2,768,861
Intergovernmental	3,581,028	-	15,356,071	-	18,937,099
Charges for services	2,094,901	-	7,057	-	2,101,958
Fines and forfeitures	34,570	-	-	-	34,570
Investment income	184,543	5,051	118,437	14,054	322,085
Miscellaneous	234,076	-	275	167,850	402,201
Total revenues	<u>17,565,018</u>	<u>359,896</u>	<u>15,481,840</u>	<u>181,904</u>	<u>33,588,658</u>
<b>Expenditures</b>					
Current:					
General government	2,802,875	-	-	-	2,802,875
Planning and code enforcement	1,409,361	-	-	-	1,409,361
Public safety	5,533,699	-	-	-	5,533,699
Transportation	1,081,915	-	-	-	1,081,915
Economic environment	22,648	112,712	-	-	135,360
Culture and recreation	1,354,380	-	-	-	1,354,380
Disaster recovery	-	-	33,285,006	165,000	33,450,006
Capital outlay	1,229,103	-	158,354	-	1,387,457
Debt service:					
Principal retirement	-	-	2,500,000	1,184,374	3,684,374
Interest and fiscal charges	-	-	36,507	234,444	270,951
Other charges	-	-	19,750	-	19,750
Bond issuance costs	-	-	834,926	-	834,926
Total expenditures	<u>13,433,981</u>	<u>112,712</u>	<u>36,834,543</u>	<u>1,583,818</u>	<u>51,965,054</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>4,131,037</u>	<u>247,184</u>	<u>(21,352,703)</u>	<u>(1,401,914)</u>	<u>(18,376,396)</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	1,407,656	1,407,656
Transfers out	(1,407,656)	-	-	-	(1,407,656)
Proceeds from sale of capital assets	8,500	-	-	-	8,500
Proceeds from insurance recoveries	-	-	9,675,675	-	9,675,675
Issuance of long-term debt	-	-	34,310,000	-	34,310,000
Total other financing sources (uses)	<u>(1,399,156)</u>	<u>-</u>	<u>43,985,675</u>	<u>1,407,656</u>	<u>43,994,175</u>
<b>Net change in fund balances</b>	<u>2,731,881</u>	<u>247,184</u>	<u>22,632,972</u>	<u>5,742</u>	<u>25,617,779</u>
<b>Fund balances, beginning of year, as restated</b>	9,252,051	270,798	-	319,533	9,842,382
<b>Fund balances, end of year</b>	<u>\$ 11,983,932</u>	<u>\$ 517,982</u>	<u>\$ 22,632,972</u>	<u>\$ 325,275</u>	<u>\$ 35,460,161</u>

The accompanying notes to financial statements are an integral part of this statement.

**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  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 25,617,779</b>
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	1,387,457
Depreciation expense	(1,650,524)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, CIP project abandoned) is to decrease net position.	
	(1,109,590)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Principal repayment of general long-term debt	3,684,374
Issuance of governmental long-term debt	(34,310,000)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	(196,122)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:	
Change in accrued interest on long-term debt	(113,834)
Change in compensated absences liability	(50,631)
Change in total OPEB liability	(28,536)
<b>Change in net position of governmental activities</b>	<b>\$ (6,769,627)</b>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Stormwater</b>	<b>Sanitation</b>	<b>Total</b>
<b>ASSETS</b>					
Equity in pooled cash and cash equivalents	\$ 6,348,256	\$ 769,898	\$ -	\$ 3,476,680	\$ 10,594,834
Accounts receivable, net	236,647	221,790	562,079	165,399	1,185,915
Due from other governments	538,161	256,108	-	-	794,269
Notes receivable	-	102,363	-	-	102,363
Inventories	90,688	-	-	2,566	93,254
Prepaid items	13,412	34,921	-	-	48,333
Due from other funds	-	143,299	-	-	143,299
Restricted current assets					
Equity in pooled cash	444,541	1,381,203	-	-	1,825,744
Total current assets	<u>7,671,705</u>	<u>2,909,582</u>	<u>562,079</u>	<u>3,644,645</u>	<u>14,788,011</u>
Noncurrent assets:					
Restricted cash	680,908	1,871,476	582,543	-	3,134,927
Capital assets:					
Land	332,211	1,015,584	13,000	-	1,360,795
Construction in progress	4,751,289	5,589,474	1,277,845	-	11,618,608
Buildings	760,731	516,258	-	-	1,276,989
Improvements	14,180,162	31,015,653	8,457,821	-	53,653,636
Machinery and equipment	1,639,001	2,027,741	578,602	1,990,916	6,236,260
Accumulated depreciation	(7,064,509)	(17,194,249)	(1,630,385)	(1,217,771)	(27,106,914)
Total capital assets, net	<u>14,598,885</u>	<u>22,970,461</u>	<u>8,696,883</u>	<u>773,145</u>	<u>47,039,374</u>
Total noncurrent assets	<u>15,279,793</u>	<u>24,841,937</u>	<u>9,279,426</u>	<u>773,145</u>	<u>50,174,301</u>
Total assets	<u>\$ 22,951,498</u>	<u>\$ 27,751,519</u>	<u>\$ 9,841,505</u>	<u>\$ 4,417,790</u>	<u>\$ 64,962,312</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred loss on bond refunding	\$ 193,847	\$ 220,768	\$ -	\$ -	\$ 414,615
Deferred outflows related to pensions	101,093	77,393	29,204	46,213	253,903
Deferred outflows related to OPEB	1,006	800	538	751	3,095
Total deferred outflows of resources	<u>\$ 295,946</u>	<u>\$ 298,961</u>	<u>\$ 29,742</u>	<u>\$ 46,964</u>	<u>\$ 671,613</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 31,599	\$ 11,892	\$ 228,890	\$ 85,764	\$ 358,145
Deposits	344,465	-	-	-	344,465
Unearned revenue	145,311	-	-	-	145,311
Due to other funds	143,299	-	24,001	-	167,300
Compensated absences	9,152	2,916	2,683	2,663	17,414
Payable from restricted assets:					
Current maturities on long-term debt	405,217	1,295,593	-	-	1,700,810
Accrued interest payable	39,324	85,610	-	-	124,934
Total current liabilities	<u>1,118,367</u>	<u>1,396,011</u>	<u>255,574</u>	<u>88,427</u>	<u>2,858,379</u>
Noncurrent liabilities:					
Bonds and notes payable, net	5,685,008	11,361,605	3,506,836	-	20,553,449
Compensated absences	51,863	16,522	15,206	15,090	98,681
Total OPEB liability	28,716	22,816	15,347	21,428	88,307
Net pension liability	332,837	254,808	96,150	152,152	835,947
Total noncurrent liabilities	<u>6,098,424</u>	<u>11,655,751</u>	<u>3,633,539</u>	<u>188,670</u>	<u>21,576,384</u>
Total liabilities	<u>\$ 7,216,791</u>	<u>\$ 13,051,762</u>	<u>\$ 3,889,113</u>	<u>\$ 277,097</u>	<u>\$ 24,434,763</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	\$ 94,729	\$ 72,522	\$ 27,365	\$ 43,304	\$ 237,920
Deferred inflows related to OPEB	2,235	1,776	1,195	1,668	6,874
Total deferred inflows of resources	<u>\$ 96,964</u>	<u>\$ 74,298</u>	<u>\$ 28,560</u>	<u>\$ 44,972</u>	<u>\$ 244,794</u>
<b>NET POSITION</b>					
Net investment in capital assets	\$ 8,702,507	\$ 10,534,031	\$ 5,190,047	\$ 773,145	\$ 25,199,730
Restricted for debt service	410,059	1,162,763	-	-	1,572,822
Restricted for capital expansion	676,066	2,004,306	582,543	-	3,262,915
Unrestricted	6,145,057	1,223,320	180,984	3,369,540	10,918,901
Total net position	<u>\$ 15,933,689</u>	<u>\$ 14,924,420</u>	<u>\$ 5,953,574</u>	<u>\$ 4,142,685</u>	<u>\$ 40,954,368</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Stormwater	Sanitation	
<b>Operating revenues</b>					
Charges for services	\$ 3,373,370	\$ 2,826,117	\$ 350,369	\$ 2,292,705	\$ 8,842,561
Other revenues	35,551	383	-	(79)	35,855
Total operating revenues	<u>3,408,921</u>	<u>2,826,500</u>	<u>350,369</u>	<u>2,292,626</u>	<u>8,878,416</u>
<b>Operating expenses</b>					
Personal services	877,334	686,394	397,188	449,531	2,410,447
Operating expenses	1,466,389	1,132,704	521,624	1,733,690	4,854,407
Depreciation	558,990	978,439	271,085	181,402	1,989,916
Total operating expenses	<u>2,902,713</u>	<u>2,797,537</u>	<u>1,189,897</u>	<u>2,364,623</u>	<u>9,254,770</u>
<b>Operating income (loss)</b>	<u>506,208</u>	<u>28,963</u>	<u>(839,528)</u>	<u>(71,997)</u>	<u>(376,354)</u>
<b>Nonoperating revenues (expenses)</b>					
Interest earnings	86,029	52,768	11,229	35,642	185,668
Intergovernmental grants	291,015	-	1,127,812	-	1,418,827
Interest and amortization expense	(140,635)	(292,616)	(90,659)	-	(523,910)
Total nonoperating revenues (expenses)	<u>236,409</u>	<u>(239,848)</u>	<u>1,048,382</u>	<u>35,642</u>	<u>1,080,585</u>
<b>Income (loss) before contributions and transfers</b>	<u>742,617</u>	<u>(210,885)</u>	<u>208,854</u>	<u>(36,355)</u>	<u>704,231</u>
Capital contributions	239,727	740,754	129,475	19,998	1,129,954
Transfers in	-	-	1,017,658	-	1,017,658
Transfers out	(1,017,658)	-	-	-	(1,017,658)
<b>Change in net position</b>	<u>(35,314)</u>	<u>529,869</u>	<u>1,355,987</u>	<u>(16,357)</u>	<u>1,834,185</u>
<b>Net position, beginning of year, as restated</b>	15,969,003	14,394,551	4,597,587	4,159,042	39,120,183
<b>Net position, end of year</b>	<u>\$ 15,933,689</u>	<u>\$ 14,924,420</u>	<u>\$ 5,953,574</u>	<u>\$ 4,142,685</u>	<u>\$ 40,954,368</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Stormwater</b>	<b>Sanitation</b>	
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 3,387,819	\$ 2,397,315	\$ (170,531)	\$ 2,326,640	\$ 7,941,243
Cash paid to employees	(934,217)	(636,666)	(412,220)	(453,964)	(2,437,067)
Cash paid to suppliers	(1,426,711)	(1,158,719)	(295,894)	(1,649,541)	(4,530,865)
Net cash provided by (used in) operating activities	<u>1,026,891</u>	<u>601,930</u>	<u>(878,645)</u>	<u>223,135</u>	<u>973,311</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers from other funds	-	-	1,017,658	-	1,017,658
Transfers to other funds	(1,017,658)	-	-	-	(1,017,658)
Intergovernmental grant proceeds	291,015	-	1,127,812	-	1,418,827
Interfund loans	143,320	-	34,005	14,275	191,600
Net cash provided by (used in) noncapital financing activities	<u>(583,323)</u>	<u>-</u>	<u>2,179,475</u>	<u>14,275</u>	<u>1,610,427</u>
<b>Cash flows from capital and related financing activities</b>					
Impact fees	239,727	740,754	129,475	19,998	1,129,954
Acquisition and construction of capital assets	(1,582,538)	-	(1,187,331)	(61,042)	(2,830,911)
Principal payments of long-term debt	(401,059)	(958,471)	(86,886)	-	(1,446,416)
Proceeds from issuance of long-term debt	1,067,101	1,455,069	-	-	2,522,170
Interest paid	(125,853)	(453,682)	(90,659)	-	(670,194)
Net cash provided by (used in) capital and related financing activities	<u>(802,622)</u>	<u>783,670</u>	<u>(1,235,401)</u>	<u>(41,044)</u>	<u>(1,295,397)</u>
<b>Cash flows from investing activities</b>					
Interest received	86,029	52,768	11,229	35,642	185,668
<b>Net change in cash and cash equivalents</b>	<u>(273,025)</u>	<u>1,438,368</u>	<u>76,658</u>	<u>232,008</u>	<u>1,474,009</u>
<b>Cash and cash equivalents, beginning of year</b>	7,746,730	2,584,209	505,885	3,244,672	14,081,496
<b>Cash and cash equivalents, end of year</b>	<u>\$ 7,473,705</u>	<u>\$ 4,022,577</u>	<u>\$ 582,543</u>	<u>\$ 3,476,680</u>	<u>\$ 15,555,505</u>
<b>Cash and cash equivalents classified as:</b>					
Unrestricted	\$ 6,348,256	\$ 769,898	\$ -	\$ 3,476,680	\$ 10,594,834
Restricted	1,125,449	3,252,679	582,543	-	4,960,671
Total cash and cash equivalents	<u>\$ 7,473,705</u>	<u>\$ 4,022,577</u>	<u>\$ 582,543</u>	<u>\$ 3,476,680</u>	<u>\$ 15,555,505</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 506,208	\$ 28,963	\$ (839,528)	\$ (71,997)	\$ (376,354)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	558,990	978,439	271,085	181,402	1,989,916
Changes in assets and liabilities:					
Accounts receivable	53,795	(1,419,470)	(520,900)	34,014	(1,852,561)
Due from other governments	54,843	984,469	-	-	1,039,312
Notes receivable	-	9,645	-	-	9,645
Inventories	15,102	-	-	1,075	16,177
Prepaid items	9,959	12,085	-	-	22,044
Accounts payable and accrued liabilities	14,617	(38,100)	225,730	83,074	285,321
Deposits	(129,740)	-	-	-	(129,740)
Unearned revenue	-	(3,829)	-	-	(3,829)
Compensated absences	5,158	3,029	10,178	2,237	20,602
Net pension liability	(58,440)	44,093	(28,527)	(9,348)	(52,222)
Total OPEB liability	(3,601)	2,606	3,317	2,678	5,000
Net cash provided by (used in) operating activities	<u>\$ 1,026,891</u>	<u>\$ 601,930</u>	<u>\$ (878,645)</u>	<u>\$ 223,135</u>	<u>\$ 973,311</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2019**

	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents with trustee	\$ 429,281
Receivables	
Interest and dividends receivable	28,090
Investments, at fair value	
Corporate and municipal debt obligations	1,276,624
Corporate equity securities	2,091,048
Mutual funds - fixed income	8,392,039
Mutual funds - equity	19,352,103
Real estate funds	3,500,099
Total investments	34,611,913
Total assets	\$ 35,069,284
 <b>NET POSITION</b>	
Restricted for pensions	\$ 35,069,284

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 1,050,970
Plan members	342,529
State - insurance premium taxes	246,640
Total contributions	<u>1,640,139</u>
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	709,447
Interest and dividends	848,783
Total investment earnings	<u>1,558,230</u>
Less: investment expense	(160,614)
Net investment income (loss)	<u>1,397,616</u>
Total additions	<u>3,037,755</u>
<b>Deductions</b>	
Benefit payments and refunds	2,182,134
Administrative expenses	77,771
Total deductions	<u>2,259,905</u>
<b>Change in net position</b>	<u>777,850</u>
<b>Net position restricted for pensions, beginning of year</b>	34,291,434
<b>Net position restricted for pensions, end of year</b>	<u><u>\$ 35,069,284</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:**

The financial statements of the City of Lynn Haven, Florida (the City), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles and the City has adopted the GASB Codification. The following is a summary of the City's significant accounting policies:

(a) **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.

(b) **Blended component units**—The City has two blended component units, as follows:

The Lynn Haven Community Redevelopment Agency (the 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, to account for the receipt and expenditure of property tax revenues from the tax increment financing district to support City redevelopment in the designated community redevelopment area. Since the City is financially accountable for the activities of the Agency, its governing board is the same, and its relationship to the City is significant, its financial activities are reported on a blended basis as if it were part of the primary government as a major special revenue fund.

The City of Lynn Haven Hurricane Michael Disaster Relief Fund, Inc., a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code, was formed for the purpose of offering recovery assistance to citizens of Lynn Haven following Hurricane Michael. The City Commission serves as the Board of Directors. Since the City is financially accountable for the activities of the City of Lynn Haven Hurricane Michael Disaster Relief Fund, Inc., and its governing board is the same, its financial activities are reported on a blended basis as if it were part of the primary government as a special revenue fund.

(c) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(d) **Measurement focus, basis of accounting, and financial statement presentation**— The accounts of the City are organized on the basis of funds, each of which is considered 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 balance, revenues, and expenditures. Government 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.

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, other intergovernmental revenues, charges for services, licenses 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 and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, certain expenditures relating to future periods, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

**General Fund**—The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

**Lynn Haven Community Redevelopment Agency Fund**—The Lynn Haven Community Redevelopment Agency Fund accounts for the receipt and expenditure of property tax revenues from the tax increment financing district to support redevelopment in the Lynn Haven Community Redevelopment Agency community redevelopment area.

**Disaster Recovery Fund**—The Disaster Recovery Fund accounts for the receipt and expenditure related to Hurricane Michael recovery-related activities.

The City reports the following major proprietary funds:

**Water Fund**—The Water Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges. Physical plant expansion is financed primarily from revenue bond obligations and other long-term debt borrowings.

**Sewer Fund**—The Sewer Fund accounts for the costs and recovery of costs in the form of user charges related to the collection, treatment and disposal of sewage waste with the City. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges. Physical plant expansion is financed primarily from revenue bond obligations and other long-term debt borrowings.

**Stormwater Fund**—The Stormwater Fund accounts for the collection of drainage fees utilized for the expansion and maintenance of drainage facilities.

**Sanitation Fund**—The Sanitation Fund provides the community with refuse and recycling services, the costs of which are primarily recovered by user charges.

Additionally, the City reports the following fund types:

**Special Revenue Fund**—This Hurricane Michael Disaster Relief fund accounts for the activity of City of Lynn Haven Hurricane Michael Disaster Relief Fund, Inc., related to offering recovery assistance to citizens of Lynn Haven following Hurricane Michael. The financial sources and uses are legally restricted for specific purposes. These financial activities are reported separately in the Combining and Individual Fund Statements and Schedules section of this report.

**Debt Service Fund**—This fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. This fund type is used to provide for the debt service requirements of the City's governmental long-term debt.

**Pension Trust Funds**—Accounts for the net position held in trust for defined pension benefits and the related financial activities of the employees' retirement system, which accumulates resources for defined pension benefit payments to the Municipal Police Officers' Retirement Trust Fund, the Municipal Firefighters' Pension Trust Fund, and the General Employees' Pension Trust Fund.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

As a general rule, the effect of the City's interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. On or before July 1st, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is made available to the public.
- iv. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- v. The City Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers.
- vii. Budgetary control is exercised at the fund level.
- viii. Every appropriation lapses at the close of the fiscal year.

The budgets for governmental funds that were either adopted or amended during the year by the City Commission were prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The general, special revenue, and debt service funds have legally adopted budgets.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

The budgets for proprietary funds that were either adopted or amended during the year by the City Commission were prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. The water, sewer, sanitation, and stormwater funds also have legally adopted annual budgets.

(f) **Deposits and investments**—The City’s cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

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.

(g) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management’s analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled accounts receivable are accrued by the City at September 30th, to recognize the sales revenues earned between the last meter reading dates made in mid-September through the end of the fiscal year.

(h) **Inventories and prepaid items**—The cost of inventory is accounted for on the consumption basis wherein inventories are charged as expenditures when used, rather than when purchased. All inventories are valued at cost, which approximates market, by using the weighted average valuation method. The effect of this method is to flow the costs of the materials and supplies in the order in which they are purchased and to assign a balance sheet inventory valuation more nearly at current replacement value. No required minimum levels of inventory are maintained.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(i) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$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, and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 – 50 years
Improvements	20– 50 years
Machinery and equipment	5 – 10 years

(j) **Compensated absences**—The City reports compensated absences in the applicable governmental or business-type activity columns in the governmental-wide financial statements. The portion of employee payroll costs paid subsequent to year-end attributable to services performed prior to year-end and accumulated unpaid vacation, sick-leave, and personal leave is recorded and recognized as a current liability. The remainder of the liability for compensated absences payable beyond the current period is recorded as a long-term liability.

(k) **Long-term obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Original issue bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(l) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

*Nonspendable* – amounts not available to be spent or not in spendable form, such as inventory and prepaid items.

*Restricted* – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation.

*Committed* – amounts constrained to specific purposes based on actions taken by the City Commission through ordinance.

*Assigned* – amounts the City intends to use for a specific purpose. Intent can be expressed by Board of County Commissioners or by an official or body which the Board delegates authority.

*Unassigned* – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available; the City considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally, unassigned funds, as needed.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **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 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 has multiple items, deferred loss on bond refunding in the proprietary funds and government-wide statement of net position, and deferred outflows related to pensions and OPEB, which qualify for reporting in this category. 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. Deferred outflows related to pensions are discussed further in Note (11) and deferred outflows related to OPEB are discussed further in Note (10).

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 represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has multiple items, deferred inflows related to pensions and OPEB in the proprietary funds and government-wide statement of net position, which qualify for reporting in this category. Deferred inflows related to pensions are discussed further in Note (11) and deferred inflows related to OPEB are discussed further in Note (10).

(n) **Property taxes**— Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

(o) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City’s policy to consider restricted net position to have been used before unrestricted net position is applied.

(p) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

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(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Deposits and Investments:**

The City’s investment policies are governed by Chapter 280 and 218, Florida Statutes. For all investments authorized by statute the City applies the “Prudent Person” standard when developing investment strategies. The basic allowable investment instruments are as follows:

*The Local Government Surplus Trust Funds 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 Chapter 280, Florida Statutes.*

*Direct obligations of the United States Treasury*

Deposits include cash on hand and amounts held in the City’s demand accounts. At September 30, 2019, the carrying amount of the City’s deposits was \$20,869,206. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City’s custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

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(3) **Deposits and Investments:** (Continued)

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments listing in Florida Statutes, Section 218.415.

*Custodial Credit Risk—Deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act*, the State of Florida, Department of Financial Services, Division of Treasury, Bureau of Collateral Management have established specific requirements relative to the security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Chief Financial Officer (CFO) as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State CFO to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State CFO's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by a Qualified Public Depository Oversight Board with members appointed by the State CFO.

The City measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines, which recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

***Pension Plan Investments***

The City's Pension plans have adopted investment policies which authorizes the pension managers to invest in the following:

*General Employees Plan*—Bank deposits and money market accounts, US government and agency obligations, mortgage-backed securities, guaranteed investment contracts, treasury inflation indexed securities (TIPS), equities listed on a national stock exchange (5% issuer limitation), private real estate trusts with quarterly liquidity and valuations, and exchange-traded funds (ETF) or similar index funds.

*Police Plan*—Bank deposits and money market accounts, US government and agency obligations, mortgage-backed securities, guaranteed investment contracts, treasury inflation indexed securities (TIPS), equities listed on a national stock exchange (5% issuer limitation), private real estate trusts with quarterly liquidity and valuations, and exchange-traded funds (ETF) or similar index funds.

*Fire Plan*—Money market accounts, fixed income investments rated "BBB" or better (3% individual issuer limitation), equities traded on a national stock exchange (5% issuer limitation), and pooled funds such as mutual funds and ETFs.

**CITY OF LYNN HAVEN, FLORIDA**  
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(3) **Deposits and Investments:** (Continued)

The pension plans measure and record investments using fair value measurement guidelines utilizing the same three-tiered fair value hierarchy as the City.

The following is a description of the valuation techniques used for assets measured at fair value:

*Corporate and Municipal Debt Obligations*—Valued based on face value of the instruments adjusted for inflation and interest maturities.

*Corporate and Equity Securities*—Valued at fair value based on quoted market prices at year end.

*Mutual Funds (fixed income and equity)*—Valued based on face value of the instruments adjusted for inflation and interest maturities.

*Real Estate Funds*—Valued based upon the underlying investments' most recent audited financial statements.

A summary of investments held at fair value as of September 30, 2019, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at fair value				
Corporate and municipal debt obligations	\$ 1,276,624	\$ -	\$ 1,276,624	\$ -
Corporate equity securities	2,091,048	2,091,048	-	-
Mutual funds - fixed income	8,392,039	8,392,039	-	-
Mutual funds - equity	19,352,103	19,352,103	-	-
Real estate funds	3,500,099	-	-	3,500,099
Total investments	<u>\$ 34,611,913</u>	<u>\$ 29,835,190</u>	<u>\$ 1,276,624</u>	<u>\$ 3,500,099</u>

The pension plans also held a total of \$429,281 of cash and cash equivalents held in the pension trust funds.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The City does not have a policy regarding interest rate risk.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies and credit rating limitations are in place through the plan investment policies. All investments rated within the investment policy guidelines at September 30, 2019.

*Concentration of Credit Risk:* The City's pension plans have varying limitations on investment in single-issuers as discussed in the authorized investments note. At September 30, 2019, the investment portfolios met the single issuer limitations.

*Custodial Credit Risk:* Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for up to 20-25% percent of its investments in common stock, capital stock and convertible securities at market value in foreign securities. At September 30, 2019, the investment portfolios met the foreign securities limitations.

**CITY OF LYNN HAVEN, FLORIDA**  
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**(4) Accounts Receivable:**

The City's receivables consisted of the following at September 30, 2019:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund	\$ 77,948	\$ (40,000)	\$ 37,948
Disaster Recovery Fund	981,908	-	981,908
Total – Governmental Activities	<u>1,059,856</u>	<u>(40,000)</u>	<u>1,019,856</u>
Business-Type Activities:			
Water Fund	295,329	(58,682)	236,647
Sanitation Fund	206,189	(40,790)	165,399
Stormwater Fund	569,995	(7,916)	562,079
Sewer Fund	276,788	(54,998)	221,790
Totals – Business-Type Activities	<u>1,348,301</u>	<u>(162,386)</u>	<u>1,185,915</u>
Totals	<u>\$ 2,408,157</u>	<u>\$ (202,386)</u>	<u>\$ 2,205,771</u>

In addition to accounts receivable, the City also recorded \$11,990,578 in due from other governments at September 30, 2019, of which \$10,326,765 consists of Federal and State reimbursements related to Hurricane Michael which impacted the City in early fiscal year 2019. These amounts reflect management's best estimate of recoveries based on costs incurred and approved project worksheets, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

**(5) Interfund Loans and Transfers:**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. At September 30, 2019, individual fund interfund receivables and payables for the primary government were comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund:		
Stormwater Fund	\$ 24,001	\$ -
Community Redevelopment Fund	-	6,643
Community Redevelopment Fund:		
General Fund	6,643	-
Sewer Fund:		
Water Fund	143,299	-
Water Fund:		
Sewer Fund	-	143,299
Stormwater Fund:		
General Fund	-	24,001
Total – All Funds	<u>\$ 173,943</u>	<u>\$ 173,943</u>

**CITY OF LYNN HAVEN, FLORIDA**  
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**SEPTEMBER 30, 2019**

(5) **Interfund Loans and Transfers:** (Continued)

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service funds to establish and maintain mandatory reserve and sinking fund accounts, (3) move revenues from proprietary fund operations to the general fund for payments in lieu of taxes, and (4) move unrestricted revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

For the year ended September 30, 2019, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities:		
General Fund:		
Debt Service Fund	\$ -	\$ 1,407,656
Debt Service Fund:		
General Fund	1,407,656	-
	1,407,656	1,407,656
Business-type Activities:		
Water Fund:		
Stormwater Fund	-	1,017,658
Stormwater Fund:		
Water Fund	1,017,658	-
	1,017,658	1,017,658
Totals – All Funds	\$ 2,425,314	\$ 2,425,314

(6) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2019, is as follows:

**Governmental activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,693,303	\$ 98,757	\$ -	\$ 2,792,060
Construction in progress	632,426	93,891	(58,596)	667,721
Total assets not being depreciated	3,325,729	192,648	(58,596)	3,459,781
Capital assets being depreciated:				
Buildings	3,843,366	274,222	(137,282)	3,980,306
Improvements	31,112,220	354,047	(1,249,445)	30,216,822
Machinery and equipment	7,734,196	625,136	(942,268)	7,417,064
Total assets being depreciated	42,689,782	1,253,405	(2,328,995)	41,614,192
Less: accumulated depreciation	(12,692,241)	(1,650,524)	1,219,405	(13,123,360)
Total capital assets being depreciated, net	29,997,541	(397,119)	(1,109,590)	28,490,832
Governmental activities capital assets, net	\$ 33,323,270	\$ (204,471)	\$ (1,168,186)	\$ 31,950,613

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(6) Capital Assets:** (Continued)

**Business-type activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,248,886	\$ 111,909	\$ -	\$ 1,360,795
Construction in progress	7,726,023	3,892,585	-	11,618,608
Total assets not being depreciated	<u>8,974,909</u>	<u>4,004,494</u>	<u>-</u>	<u>12,979,403</u>
Capital assets being depreciated:				
Buildings	1,241,884	35,105	-	1,276,989
Improvements	53,653,636	-	-	53,653,636
Machinery and equipment	6,042,262	281,768	(87,770)	6,236,260
Total assets being depreciated	<u>60,937,782</u>	<u>316,873</u>	<u>(87,770)</u>	<u>61,166,885</u>
Less: accumulated depreciation	<u>(25,198,931)</u>	<u>(1,989,916)</u>	<u>81,933</u>	<u>(27,106,914)</u>
Total capital assets being depreciated, net	<u>35,738,851</u>	<u>(1,673,043)</u>	<u>(5,837)</u>	<u>34,059,971</u>
Business-type activities capital assets, net	<u>\$ 44,713,760</u>	<u>\$ 2,331,451</u>	<u>\$ (5,837)</u>	<u>\$ 47,039,374</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 276,664
Public safety	159,363
Public works	1,019,244
Economic environment	79,572
Culture and recreation	115,681
Total depreciation expense - governmental activities	<u>\$ 1,650,524</u>
Business-type activities:	
Water	\$ 558,990
Sewer	978,439
Stormwater	271,085
Sanitation	181,402
Total depreciation expense - business-type activities	<u>\$ 1,989,916</u>

**(7) Long-Term Liabilities:**

Long-term liability activity for the year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds and notes payable	\$ 10,793,154	\$ 34,310,000	\$ (3,684,374)	\$ 41,418,780	\$ 1,161,190
Line of credit	-	2,500,000	(2,500,000)	-	-
Compensated absences	350,436	285,185	(234,554)	401,067	56,149
Total long-term liabilities	<u>\$ 11,143,590</u>	<u>\$ 34,595,185</u>	<u>\$ (6,418,928)</u>	<u>\$ 41,819,847</u>	<u>\$ 1,217,339</u>

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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(7) **Long-Term Liabilities:** (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Bonds payable	\$ 12,959,290	\$ -	\$ (1,360,070)	\$ 11,599,220	\$ 1,700,810
Discounts / premiums	261,834	-	(24,304)	237,530	-
Net bonds payable	13,221,124	-	(1,384,374)	11,836,750	1,700,810
Notes payable	7,982,225	2,522,170	(86,886)	10,417,509	449,184
Compensated absences	95,493	121,734	(101,132)	116,095	17,414
Total long-term liabilities	<u>\$ 21,298,842</u>	<u>\$ 2,643,904</u>	<u>\$ (1,572,392)</u>	<u>\$ 22,370,354</u>	<u>\$ 2,167,408</u>

Bonds and notes payable in the City's governmental activities at September 30, 2019, were comprised of the following obligations:

Sales Tax Revenue Refunding Bonds, Series 2016, 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 secure 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. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2019, was \$1,290,780.

Sales Surtax Revenue Bonds, Series 2017, 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. Bonds are due in payments of interest semi-annually on January 31st and July 31st. The outstanding balance at September 30, 2019, was \$3,154,000.

Sale Surtax Revenue Bonds, Series 2018, 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. Bonds are due in payments of interest semi-annually on January 31st and July 31st. The outstanding balance at September 30, 2019, was \$5,164,000.

Taxable Revenue Bonds, Series 2019, issued for the purpose of funding cost related to damage caused by Hurricane Michael. The series 2019 bonds are payable and secured by non-ad valorem revenues budgeted and appropriated by the City. The interest rates are from 2.2% to 3% and the bonds mature August 2034. Bonds are due in payments of interest annually on August 1st with payments beginning in 2021. The outstanding balance at September 30, 2019, was \$31,810,000.

The City obtained a line of credit in the aftermath of Hurricane Michael during the fiscal year. The line of credit was drawn upon its entire available balance of \$2,500,000, which was subsequently repaid during the year. The line of credit expired on October 1, 2019.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(7) **Long-Term Liabilities:** (Continued)

Annual debt service requirements to maturity for the City's governmental activities bonds and notes payable are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 1,161,190	\$ 1,012,548	\$ 2,173,738
2021	3,110,190	1,013,995	4,124,185
2022	3,199,450	929,360	4,128,810
2023	3,281,580	842,573	4,124,153
2024	3,356,840	774,105	4,130,945
2025-2029	14,654,530	2,789,406	17,443,936
2030-2034	12,655,000	1,132,194	13,787,194
Total	<u>\$ 41,418,780</u>	<u>\$ 8,494,181</u>	<u>\$ 49,912,961</u>

Bonds payable in the City's business-type activities at September 30, 2019, were comprised of the following obligations:

Capital Improvement Revenue Refunding Bonds, Series 2011, were issued 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 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 2005; the City's capital improvement revenues bond, series 2015. The interest rates are from 2.0% to 4.0% and the bonds mature December 2019. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2019, was \$665,000.

Capital Improvement Revenue Bonds, Series 2014, were issued to (1) design, 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 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. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2019, was \$2,490,000.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(7) **Long-Term Liabilities:** (Continued)

Capital Improvement Revenue Refunding Bonds, Series 2015, 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 deployment 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. Bonds are due in payments of interest semi-annually on December 1st and May 31st. The outstanding balance at September 30, 2019, was \$1,725,000.

Sales Tax Revenue Refunding Bonds, Series 2016, 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. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2019, was \$1,739,220.

Capital Improvement Revenue Refunding Bonds, Series 2017 were issued to (1) refund the City's outstanding Capital Improvement Refunding Revenue 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 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 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. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2019, was \$4,980,000.

Notes payable in the City's business-type activities at September 30, 2019, were comprised of the following obligations:

In June 2018, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$2,360,651 loan for a water main replacement at an interest rate of 1.31% per year for 20 years. The first semi-annual payment is due December 15, 2019. The loan is collateralized by the pledged revenues of the water and sewer system. The outstanding balance at September 30, 2019, was \$2,360,651.

In June 2018, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$4,550,022 loan for a wastewater rehabilitation project at an interest rate of 0.93% per year for 20 years. The first semiannual payment is due March 15, 2021. The loan is collateralized by the pledged revenues of the water and sewer system. The outstanding balance at September 30, 2019, was \$4,550,022.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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(7) **Long-Term Liabilities:** (Continued)

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 and matures March 2047. The outstanding balance at September 30, 2019, was \$3,506,836.

Annual debt service requirements to maturity for the City’s business-type activities bonds, and notes payable, are as follows:

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,149,994	\$ 445,800	\$ 2,605,794
2021	1,316,707	443,788	1,760,495
2022	1,343,855	416,225	1,760,080
2023	1,363,235	387,746	1,750,981
2024	1,395,586	363,486	1,759,072
2025-2029	7,151,507	1,405,051	8,556,558
2030-2034	5,214,050	700,147	5,914,197
2035-2039	901,115	215,445	1,116,560
2040-2044	790,670	102,041	892,711
2045-2049	390,010	11,711	401,721
Total	<u>\$ 22,016,729</u>	<u>\$ 4,491,440</u>	<u>\$ 26,508,169</u>

(8) **Commitments and Contingencies:**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2019. The outcomes of established claims are included in these financial statements. In the opinion of the City’s legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

(9) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**(10) Other Postemployment Benefits (OPEB):**

**Plan Description**—City of Lynn Haven, Florida, Post-Retirement Benefits Plan (the Plan) is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

**Funding Policy**—The contribution requirements of plan members and the City are established by state statutes and may be amended by the state legislature. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the total OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis. The City utilizes the General Fund to liquidate the liability for the OPEB obligation from previous years

**Benefits Provided**—The Other Post Employment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee, known as the “implicit rate subsidy.”

**Plan Membership**—At September 30, 2017, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Employees	146
Inactive Employees	1
	147
	147

**Total OPEB Liability**—The City’s total OPEB liability of \$377,813 was measured as of September 30, 2018, and was determined by an actuarial valuation as of September 30, 2017.

**Actuarial Assumptions and Other Inputs**—The total OPEB liability in the September 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	Varies by service
Discount rate	4.18%
Healthcare cost trend rate	8.5%
	Ultimate rate reached in 2073 4.0%
Retirees’ share of benefit-related costs	100.00%

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the Bond Buyer 20-Bond Index as published by the Federal Reserve in the week closest to the measurement date.

Mortality rates were based on the RP-2000 Mortality Tables. All mortality rates are those outlined in Milliman’s July 1, 2018, Florida Retirement System (FRS) valuation report.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(10) **Other Postemployment Benefits (OPEB):** (Continued)

For the fiscal year ended September 30, 2019, changes in the total OPEB liability were as follows:

Balance at September 30, 2018	<u>\$</u>	360,447
Changes for a year:		
Service cost		29,919
Interest		14,049
Changes of assumptions		(17,715)
Benefit payments – implicit rate subsidy		<u>(8,887)</u>
Net changes		<u>17,367</u>
Balance at September 30, 2019	<u>\$</u>	<u>377,813</u>

*Sensitivity of the total OPEB liability to changes in the discount rate:*

The following presents the total OPEB liability of the City calculated using the discount rate of 4.18%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 411,480	\$ 377,813	\$ 347,686

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:*

The following 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% lower (3.00%-7.50%) or 1% higher (5.00%-9.50%) than the current healthcare cost trend rates (4.00%-8.50%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 336,936	\$ 377,813	\$ 425,859

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended September 30, 2019, the City recognized OPEB expense of \$47,435. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 13,241	\$ -
Changes of assumptions	-	29,411
Total	<u>\$ 13,241</u>	<u>\$ 29,411</u>

**CITY OF LYNN HAVEN, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(10) **Other Postemployment Benefits (OPEB):** (Continued)

Deferred outflows for contributions subsequent to the measurement date will be recognized in fiscal year 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended September 30:</u>	<u>Amortization</u>
2020	\$ (4,533)
2021	(4,533)
2022	(4,533)
2023	(4,533)
2024	(4,533)
Thereafter	(6,746)

(11) **Employee Retirement Systems and Pension Funds:**

**Defined Benefit 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.

No standalone financial reports exist for the pension plans. All financial activity is reported within the accompanying financial statements. Investments are reported at fair value and are managed by third party money managers. The City's independent custodian and the individual money managers price each instrument (using various third party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees, and the City's asset valuation are based on the custodian's determination of value.

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

**Benefits Provided and Employees Covered**

Each Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries in accordance with the respective plan provisions. Each of the Plans has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year. Current membership in the employee retirement plans was composed of the following at October 1, 2019:

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Employees Plan</u>
Inactive plan members or beneficiaries receiving benefits	16	7	43
Inactive plan members entitled to but not yet receiving benefits	14	1	35
Active participants	<u>13</u>	<u>20</u>	<u>94</u>
Total current membership	<u><u>63</u></u>	<u><u>28</u></u>	<u><u>172</u></u>

A summary of the benefits provided under each plan are as follows:

*Police Officers Plan*

- Normal Retirement Benefits: 3.5% of average final compensation times credited service
- Normal Retirement Age: Earlier of: 1) age 55 and 10 years of credited service, 2) attainment of age 60 or 3) the completion of 25 years of credited service, regardless of age
- Early Retirement Benefits: Accrued benefit reduced 3% for each year that early retirement precedes normal retirement
- Early Retirement Age: Age 45 and 10 Years of credited service
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (nonservice incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non 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.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

*Firefighters Plan*

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

*General Employees Plan*

- 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.

The most recent experience studies for the police, fire, and general employees plans were conducted as of March 6, 2018; June 7, 2017; and March 8, 2018; respectively.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

**Contributions**

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.

For the year ended September 30, 2019, contributions to the City's pension plans were as follows:

	<b>Police Plan</b>	<b>Fire Plan</b>	<b>General Employees Plan</b>	<b>Total</b>
Employee contributions	\$ 88,027	\$ 55,244	\$ 199,258	\$ 342,529
City contributions	146,262	152,301	752,407	1,050,970
State contributions	156,463	90,177	-	246,640
Total contributions	<u>\$ 390,752</u>	<u>\$ 297,722</u>	<u>\$ 951,665</u>	<u>\$ 1,640,139</u>

**Investment Policy**

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2019:

	<b>Target Asset Allocation</b>		
<b>Asset Class</b>	<b>Police Plan</b>	<b>Fire Plan</b>	<b>General Employees Plan</b>
Domestic equity	45%	55%	45%
International equity	15%	10%	15%
Broad Market Fixed Income	0%	20%	0%
Bonds	25%	0%	25%
Global Fixed Income	0%	5%	0%
TIPS	5%	0%	5%
Private real estate	10%	10%	10%

**Net Pension Liability**

The components of the net pension liability of the pension plans at September 30, 2019, were as follows:

	<b>Police Plan</b>	<b>Fire Plan</b>	<b>General Employees Plan</b>	<b>Total</b>
Total pension liability	\$ 8,964,131	\$ 7,565,673	\$ 20,918,399	\$ 37,448,203
Plan fiduciary net position	<u>(9,346,187)</u>	<u>(7,139,375)</u>	<u>(18,583,722)</u>	<u>(35,069,284)</u>
Net pension liability (asset)	<u>\$ (382,056)</u>	<u>\$ 426,298</u>	<u>\$ 2,334,677</u>	<u>\$ 2,378,919</u>
Plan fiduciary net position as percentage of total pension liability (asset)	104.26%	94.37%	88.84%	93.65%

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**(11) Employee Retirement Systems and Pension Funds:** (Continued)

The total pension liability was determined by an actuarial valuation as of October 1, 2018, and measurement date of September 30, 2019, using the following actuarial assumptions to all measurement periods.

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Employees Plan</u>
Inflation	2.70%	2.50%	2.70%
Salary increases	Service based	Service based	6.00%
Investment rate of return	7.50%	7.25%	7.50%
Mortality table	RP-2000, Scale BB	RP-2000, Scale BB	RP-2000, Scale BB

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.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

<u>Long Term Expected Real Rate of Return</u>			
<u>Asset Class</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Employees Plan</u>
Domestic equity	7.3%	7.5%	7.3%
International equity	2.7%	8.5%	2.7%
Broad Market Fixed Income	N/A	2.5%	N/A
Bonds	3.6%	N/A	3.6%
Global Fixed Income	N/A	3.5%	N/A
TIPS	2.9%	N/A	2.9%
Private Real Estate	4.9%	4.5%	4.9%

*Discount rate:*

The discount rate used to measure the total pension liability for each pension plan varied as discussed on the following pages. 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 City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

*Changes in net pension liability:*

Changes in each plan's net pension liability were as follows:

	<b>Police Plan</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a-b)</b>
Beginning Balance	\$ 8,403,203	\$ 9,036,849	\$ (633,646)
Changes for year:			-
Service cost	291,738	-	291,738
Interest	622,351	-	622,351
Differences between expected/actual experience	25,008	-	25,008
Change in excess state money	33,232	-	33,232
Contributions - employer	-	146,262	(146,262)
Contributions - employee	-	88,027	(88,027)
Contributions - state	-	156,463	(156,463)
Net investment income	-	360,191	(360,191)
Benefit payments, including refunds	(411,401)	(411,401)	-
Administrative expenses	-	(30,204)	30,204
Net changes	<u>560,928</u>	<u>309,338</u>	<u>251,590</u>
Ending Balance	<u>\$ 8,964,131</u>	<u>\$ 9,346,187</u>	<u>\$ (382,056)</u>

	<b>Fire Plan</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a-b)</b>
Beginning Balance	\$6,891,170	\$ 6,878,393	\$ 12,777
Changes for year:			-
Service cost	216,588	-	216,588
Interest	504,486	-	504,486
Differences between expected/actual experience	251,609	-	251,609
Change in excess state money	-	-	-
Change in benefit terms	(483)	-	(483)
Contributions - employer	-	155,695	(155,695)
Contributions - employee	-	55,243	(55,243)
Contributions - state	-	87,729	(87,729)
Net investment income	-	291,181	(291,181)
Benefit payments, including refunds	(297,697)	(297,697)	-
Administrative expenses	-	(31,169)	31,169
Net changes	<u>674,503</u>	<u>260,982</u>	<u>413,521</u>
Ending Balance	<u>\$7,565,673</u>	<u>\$ 7,139,375</u>	<u>\$ 426,298</u>

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

	<b>General Plan</b>		
	<b>Total</b>	<b>Plan</b>	<b>Net</b>
	<b>Pension</b>	<b>Fiduciary</b>	<b>Pension</b>
	<b>Liability</b>	<b>Net Position</b>	<b>Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a-b)</b>
Beginning Balance	\$ 20,549,076	\$ 18,558,157	\$ 1,990,919
Changes for year:			
Service cost	637,599	-	637,599
Interest	1,533,656	-	1,533,656
Differences between expected/actual experie	(326,079)	-	(326,079)
Contributions - employer	-	752,407	(752,407)
Contributions - employee	-	199,258	(199,258)
Contributions - state	-	-	-
Net investment income	-	586,457	(586,457)
Benefit payments, including refunds	(1,475,853)	(1,475,853)	-
Administrative expenses	-	(36,704)	36,704
Net changes	<u>369,323</u>	<u>25,565</u>	<u>343,758</u>
Ending Balance	<u>\$ 20,918,399</u>	<u>\$ 18,583,722</u>	<u>\$ 2,334,677</u>

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability of the City calculated using the selected discount rates, as well as what the City's net pension liability (NPL) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current</u> <u>Discount Rate</u>	<u>NPL with</u> <u>1% Decrease</u>	<u>NPL at</u> <u>Current</u> <u>Discount Rate</u>	<u>NPL with</u> <u>1% Increase</u>
Police	7.50%	638,517	(382,056)	(1,233,841)
Fire	7.25%	1,391,073	426,298	(361,788)
General Employees	7.50%	\$ 4,628,003	\$ 2,334,677	\$ 404,459
Total		<u>\$ 6,657,593</u>	<u>\$ 2,760,975</u>	<u>\$ (1,191,170)</u>

For the year ended September 30, 2019, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General</u> <u>Employees</u> <u>Plan</u>
Annual money-weighted rate of return	4.01%	4.28%	3.18%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions**

For the year ended September 30, 2019, the City recognized pension expense of \$343,765, \$340,872 and \$757,819, in the Police, Fire, and General Employees, pension plans, respectively, for a total of \$1,442,456.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Police Plan</b>		<b>Fire Plan</b>		<b>General Employees Plan</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 18,756	\$ (238,687)	\$ 322,024	\$ (315,937)	\$ -	\$ (658,352)
Changes of assumptions	139,026	-	257,095	-	-	(6,126)
Net different between projected and actual investment earnings	323,896	-	47,833	-	709,116	-
	\$ 481,678	\$ (238,687)	\$ 626,952	\$ (315,937)	\$ 709,116	\$ (664,478)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	<b>Police Plan</b>	<b>Fire Plan</b>	<b>General Employees Plan</b>
2020	\$ 4,505	\$ 51,085	\$ (98,071)
2021	62,131	18,178	(1,271)
2022	113,222	68,043	52,322
2023	63,133	84,864	91,658
2024	-	52,901	-
Thereafter	-	35,944	-

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

**C. Pension Fund Financial Statements**

The City does not issue separate financial statements for the General Employee, Police, or Fire Plan. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2019:

**COMBINING SCHEDULE OF NET POSITION – FIDUCIARY FUNDS**

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Plan</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents with trustee	\$ 104,373	\$ 113,042	\$ 211,866	\$ 429,281
Receivables				
Interest and dividends receivable	5,477	11,706	10,907	28,090
Investments, at fair value				
Corporate and municipal debt obligations	-	1,276,624	-	1,276,624
Corporate equity securities	-	2,091,048	-	2,091,048
Mutual funds - fixed income	2,779,099	324,871	5,288,069	8,392,039
Mutual funds - equity	5,559,328	2,621,351	11,171,424	19,352,103
Real estate funds	897,910	700,733	1,901,456	3,500,099
Total investments	<u>9,236,337</u>	<u>7,014,627</u>	<u>18,360,949</u>	<u>34,611,913</u>
Total assets	<u>\$ 9,346,187</u>	<u>\$ 7,139,375</u>	<u>\$ 18,583,722</u>	<u>\$ 35,069,284</u>
<b>NET POSITION</b>				
Restricted for pensions	<u>\$ 9,346,187</u>	<u>\$ 7,139,375</u>	<u>\$ 18,583,722</u>	<u>\$ 35,069,284</u>

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(11) **Employee Retirement Systems and Pension Funds:** (Continued)

**COMBINING SCHEDULE OF CHANGES IN NET POSITION – FIDUCIARY FUNDS**

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Plan</u>	<u>Total</u>
<b>Additions</b>				
Contributions:				
Employer	\$ 146,262	\$ 152,301	\$ 752,407	\$ 1,050,970
Plan members	88,027	55,244	199,258	342,529
State - insurance premium taxes	156,463	90,177	-	246,640
Total contributions	<u>390,752</u>	<u>297,722</u>	<u>951,665</u>	<u>1,640,139</u>
Investment earnings				
Net appreciation (depreciation) in fair value of investments	240,416	150,614	318,417	709,447
Interest and dividends	190,023	192,645	466,115	848,783
Total investment earnings	<u>430,439</u>	<u>343,259</u>	<u>784,532</u>	<u>1,558,230</u>
Less: investment expense	<u>(39,224)</u>	<u>(56,030)</u>	<u>(65,360)</u>	<u>(160,614)</u>
Net investment income (loss)	391,215	287,229	719,172	1,397,616
Total additions	<u>781,967</u>	<u>584,951</u>	<u>1,670,837</u>	<u>3,037,755</u>
<b>Deductions</b>				
Benefit payments and refunds	411,401	294,158	1,476,575	2,182,134
Administrative expenses	20,479	20,588	36,704	77,771
Total deductions	<u>431,880</u>	<u>314,746</u>	<u>1,513,279</u>	<u>2,259,905</u>
<b>Change in net position</b>	<u>350,087</u>	<u>270,205</u>	<u>157,558</u>	<u>777,850</u>
<b>Net position restricted for pensions, beginning of year</b>	8,996,100	6,869,170	18,426,164	34,291,434
<b>Net position restricted for pensions, end of year</b>	<u>\$ 9,346,187</u>	<u>\$ 7,139,375</u>	<u>\$18,583,722</u>	<u>\$ 35,069,284</u>

(10) **Restatement of Beginning Equity:**

Subsequent to issuance of the September 30, 2018, financial statements, management became aware of the following errors: understatement of utility accounts receivable due to no amounts accrued related to unbilled utility charges and improper cutoff of shared state revenues. The net effect of this understatement of receivable had the effects on beginning fund balance and net position as follows:

	<u>Fund Balance</u>		<u>Net Position</u>		
	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Sanitation Fund</u>
Net position / fund balance –					
9/30/18, originally reported	\$ 8,703,858	\$ 15,868,452	\$ 14,300,313	\$ 4,584,024	\$ 4,088,847
Unbilled receivable adjustment	-	100,551	94,238	13,563	70,201
Revenue cutoff	548,193	-	-	-	-
Net position / fund balance –					
9/30/18, as restated	<u>\$ 9,252,051</u>	<u>\$ 15,969,003</u>	<u>\$ 14,394,551</u>	<u>\$ 4,597,587</u>	<u>\$ 4,159,042</u>

The impact of the restatement was for the beginning net position of the governmental activities to increase by the same amount as the general fund, as noted above. The total increase to the beginning net position of the City's business-type activities was the sum of the above amounts for the water, sewer, stormwater, and sanitation funds, as noted above.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**(11) Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates, as adjusted based on the impacts of GASB Statement No. 95, effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 84, Fiduciary Activities, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2019.
- (b) GASB issued Statement No. 87, Leases, in June 2017. GASB 87 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. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (c) GASB issued Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61, in August 2018. GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions in GASB 90 are effective for periods beginning after December 15, 2019.

**(12) Subsequent Events:**

Subsequent to September 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of June 23, 2020, management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

**(13) Major Events and Federal Investigation:**

In October 2018, the City was severely impacted by Hurricane Michael, which caused catastrophic damage in the City and its surrounding areas for which the related activity has been recorded in the Disaster Recovery fund.

During the year ended September 30, 2019, Federal investigators began investigating activity related to the City's financial activity in the aftermath of Hurricane Michael, specifically related to the former City Manager and other former City employees and vendors. In November 2019, the former City Manager, a former City department head, and three others were charged with various felony charges related to wire fraud, money laundering, and filing false reimbursement claims to FEMA related to Hurricane Michael clean-up efforts. The total amounts alleged to be wrongfully paid out by the City was in excess of \$5 million. In early 2020, the former City Manager and three of the others named in the indictment pled guilty to the charges, including agreements to make full restitution to the City as part of the plea agreements.

The City is also assessing the potential to recover amounts through its insurance company under employee dishonesty coverage. However, as collectability cannot be determined, no provisions have been made in these financial statements related to any potential recoveries from these individuals, insurance companies, or any other sources.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LYNN HAVEN, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 8,440,405	\$ 8,440,405	\$ 8,667,039	\$ 226,634
Permits and fees	1,974,720	2,568,720	2,768,861	200,141
Intergovernmental	3,369,030	3,392,751	3,581,028	188,277
Charges for services	2,155,654	2,091,677	2,094,901	3,224
Fines and forfeitures	72,900	70,940	34,570	(36,370)
Investment income	133,000	163,000	184,543	21,543
Miscellaneous	115,200	204,464	234,076	29,612
Total revenues	<u>16,260,909</u>	<u>16,931,957</u>	<u>17,565,018</u>	<u>633,061</u>
<b>Expenditures</b>				
Current:				
General government	3,720,660	3,462,426	2,802,875	659,551
Planning and code enforcement	634,216	1,003,175	1,409,361	(406,186)
Public safety	5,101,417	5,373,578	5,533,699	(160,121)
Transportation	1,453,833	1,348,792	1,081,915	266,877
Economic environment	83,541	84,337	22,648	61,689
Culture and recreation	2,303,471	1,834,714	1,354,380	480,334
Capital outlay	2,803,200	2,987,885	1,229,103	1,758,782
Total expenditures	<u>16,100,338</u>	<u>16,094,907</u>	<u>13,433,981</u>	<u>2,660,926</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>160,571</u>	<u>837,050</u>	<u>4,131,037</u>	<u>3,293,987</u>
<b>Other financing sources (uses)</b>				
Transfers out	(1,419,283)	(1,419,283)	(1,407,656)	11,627
Proceeds from sale of capital assets	10,000	10,000	8,500	(1,500)
Total other financing sources (uses)	<u>(1,409,283)</u>	<u>(1,409,283)</u>	<u>(1,399,156)</u>	<u>10,127</u>
<b>Net change in fund balances</b>	<u>(1,248,712)</u>	<u>(572,233)</u>	<u>2,731,881</u>	<u>3,304,114</u>
<b>Fund balances, beginning of year, as restated</b>	9,252,051	9,252,051	9,252,051	-
<b>Fund balances, end of year</b>	<u>\$ 8,003,339</u>	<u>\$ 8,679,818</u>	<u>\$ 11,983,932</u>	<u>\$ 3,304,114</u>

**CITY OF LYNN HAVEN, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$ 318,484	\$ 342,614	\$ 354,845	\$ 12,231
Investment income	5,400	5,400	5,051	(349)
<b>Total revenues</b>	<u>323,884</u>	<u>348,014</u>	<u>359,896</u>	<u>11,882</u>
<b>Expenditures</b>				
Current:				
Economic environment	323,884	329,584	112,712	216,872
<b>Total expenditures</b>	<u>323,884</u>	<u>329,584</u>	<u>112,712</u>	<u>216,872</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>18,430</u>	<u>247,184</u>	<u>228,754</u>
<b>Fund balances, beginning of year</b>	270,798	270,798	270,798	-
<b>Fund balances, end of year</b>	<u>\$ 270,798</u>	<u>\$ 289,228</u>	<u>\$ 517,982</u>	<u>\$ 228,754</u>

**CITY OF LYNN HAVEN, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - DISASTER RECOVERY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 27,116,916	\$ 15,356,071	\$ (11,760,845)
Charges for services	-	10,000	7,057	(2,943)
Investment income	-	-	118,437	118,437
Miscellaneous	-	275	275	-
<b>Total revenues</b>	<u>-</u>	<u>27,127,191</u>	<u>15,481,840</u>	<u>(11,645,351)</u>
<b>Expenditures</b>				
Current:				
Disaster recovery	-	32,891,876	33,285,006	(393,130)
Capital outlay	-	37,635,315	158,354	37,476,961
Debt service:				
Principal retirement	-	-	2,500,000	(2,500,000)
Interest and fiscal charges	-	870,000	36,507	833,493
Other charges	-	-	19,750	(19,750)
Bond issuance costs	-	250,000	834,926	(584,926)
<b>Total expenditures</b>	<u>-</u>	<u>71,647,191</u>	<u>36,834,543</u>	<u>34,812,648</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>-</u>	<u>(44,520,000)</u>	<u>(21,352,703)</u>	<u>23,167,297</u>
<b>Other financing sources (uses)</b>				
Proceeds from insurance recovery	-	7,020,000	9,675,675	2,655,675
Issuance of long-term debt	-	37,500,000	34,310,000	(3,190,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>44,520,000</u>	<u>43,985,675</u>	<u>(534,325)</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>22,632,972</u>	<u>22,632,972</u>
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,632,972</u>	<u>\$ 22,632,972</u>

**CITY OF LYNN HAVEN, FLORIDA**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 29,919	\$ 31,264
Interest	14,049	11,375
Difference between expected and actual experience	-	-
Changes of assumptions	(17,715)	(18,548)
Benefit payments - implicit rate subsidy	(8,886)	(8,171)
Net change in total OPEB liability	17,367	15,920
Total OPEB liability - beginning of year	360,446	344,526
<b>Total OPEB liability - end of year</b>	<b>\$ 377,813</b>	<b>\$ 360,446</b>
Covered payroll	\$ 6,413,679	\$ 6,041,521
Total OPEB liability as a percentage of covered payroll	5.89%	5.97%

Notes to Schedule:

Valuation date:	9/30/2017	9/30/2017
Measurement date:	9/30/2018	9/30/2017

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

	4.18%	3.64%
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\*10 years of data will be presented as it becomes available.

**CITY OF LYNN HAVEN, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**POLICE PLAN**  
**SEPTEMBER 30, 2019**  
**(UNAUDITED)**

Fiscal Year Ending September 30,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>						
Service cost	\$ 291,738	\$ 292,982	\$ 291,017	\$ 283,018	\$ 309,736	\$ 288,702
Interest	622,351	620,208	597,635	564,143	526,808	481,522
Change in excess state money	33,232	27,951	20,749	25,295	26,971	23,122
Changes in benefit terms	-	-	-	-	-	-
Difference between actual and expected experience	25,008	(139,696)	(218,184)	(331,547)	(91,536)	-
Changes of assumptions	-	201,250	-	192,001	-	-
Benefit payments including refunds of contributions	(411,401)	(444,770)	(335,766)	(258,147)	(245,073)	(205,289)
Net change in total pension liability	560,928	557,925	355,451	474,763	526,906	588,057
Total pension liability - beginning	8,403,203	7,845,278	7,489,827	7,015,064	6,488,158	5,900,101
<b>Total pension liability - ending (a)</b>	<u>\$ 8,964,131</u>	<u>\$ 8,403,203</u>	<u>\$ 7,845,278</u>	<u>\$ 7,489,827</u>	<u>\$ 7,015,064</u>	<u>\$ 6,488,158</u>
<b>Total Fiduciary Net Position</b>						
Contributions - employer	\$ 146,262	\$ 141,741	\$ 118,040	\$ 193,200	\$ 195,344	\$ 196,175
Contributions - state	156,463	145,902	131,498	140,590	117,198	113,349
Contributions - employee	88,027	74,601	62,126	62,391	64,089	68,969
Net investment income	360,191	471,140	751,774	654,947	(50,536)	571,109
Benefit payments, including refunds of contributions	(411,401)	(444,770)	(335,766)	(258,147)	(245,073)	(205,289)
Administrative expense	(30,204)	(44,223)	(33,448)	(17,500)	(23,874)	(22,490)
Net change in plan fiduciary net position	309,338	344,391	694,224	775,481	57,148	721,823
Plan fiduciary net position - beginning	9,036,849	8,692,458	7,998,234	7,222,753	7,165,605	6,443,782
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 9,346,187</u>	<u>\$ 9,036,849</u>	<u>\$ 8,692,458</u>	<u>\$ 7,998,234</u>	<u>\$ 7,222,753</u>	<u>\$ 7,165,605</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ (382,056)</u>	<u>\$ (633,646)</u>	<u>\$ (847,180)</u>	<u>\$ (508,407)</u>	<u>\$ (207,689)</u>	<u>\$ (677,447)</u>
Plan fiduciary net position as a percentage of the total pension liability	104.26%	107.54%	110.80%	106.79%	102.96%	110.44%
Covered payroll	\$ 1,760,537	\$ 1,492,008	\$ 1,242,529	\$ 1,247,810	\$ 1,287,209	N/A
Net pension liability as a percentage of covered payroll	-21.70%	-42.47%	-68.18%	-40.74%	-16.13%	N/A

\*10 years of data will be presented as it becomes available.

**CITY OF LYNN HAVEN, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FIRE PLAN**  
**SEPTEMBER 30, 2019**  
**(UNAUDITED)**

Fiscal Year Ending September 30,	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 216,588	\$ 187,963	\$ 214,294	\$ 202,696	\$ 189,512	\$ 191,324
Interest	504,486	460,987	428,511	395,917	370,363	340,740
Change in excess state money	-	-	(581,215)	7,031	55,979	62,154
Share plan allocation	-	-	581,215	-	-	-
Changes in benefit terms	(483)	-	-	-	-	-
Difference between actual and expected experience	251,609	159,539	(404,891)	(92,891)	(74,169)	-
Changes of assumptions	-	-	211,236	245,505	-	-
Benefit payments including refunds of contributions	(297,697)	(175,605)	(173,914)	(191,309)	(167,618)	(152,334)
Net change in total pension liability	674,503	632,884	275,236	566,949	374,067	441,884
Total pension liability - beginning	6,891,170	6,258,286	5,983,050	5,416,101	5,042,034	4,600,150
<b>Total pension liability - ending (a)</b>	<u>\$ 7,565,673</u>	<u>\$ 6,891,170</u>	<u>\$ 6,258,286</u>	<u>\$ 5,983,050</u>	<u>\$ 5,416,101</u>	<u>\$ 5,042,034</u>
<b>Total Fiduciary Net Position</b>						
Contributions - employer	\$ 155,695	\$ 64,246	\$ 85,694	\$ 179,059	\$ 175,202	\$ 191,373
Contributions - state	87,729	76,493	72,877	104,062	98,068	104,243
Contributions - employee	55,243	51,084	46,004	39,616	40,940	41,786
Net investment income	291,181	543,931	688,348	263,560	(32,874)	509,709
Benefit payments, including refunds of contributions	(297,697)	(175,605)	(173,914)	(191,309)	(167,618)	(152,334)
Administrative expense	(31,169)	(31,788)	(36,876)	(25,141)	(20,389)	(12,167)
Net change in plan fiduciary net position	260,982	528,361	682,133	369,847	93,329	682,610
Plan fiduciary net position - beginning	6,878,393	6,350,032	5,667,899	5,298,052	5,204,723	4,522,113
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 7,139,375</u>	<u>\$ 6,878,393</u>	<u>\$ 6,350,032</u>	<u>\$ 5,667,899</u>	<u>\$ 5,298,052</u>	<u>\$ 5,204,723</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 426,298</u>	<u>\$ 12,777</u>	<u>\$ (91,746)</u>	<u>\$ 315,151</u>	<u>\$ 118,049</u>	<u>\$ (162,689)</u>
Plan fiduciary net position as a percentage of the total pension liability	94.37%	99.81%	101.47%	94.73%	97.82%	103.23%
Covered payroll	\$ 1,104,869	\$ 1,021,678	\$ 920,087	\$ 792,315	\$ 826,871	\$ 835,712
Net pension liability as a percentage of covered payroll	38.58%	1.25%	-9.97%	39.78%	14.28%	-19.47%

\*10 years of data will be presented as it becomes available.

**CITY OF LYNN HAVEN, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**GENERAL EMPLOYEES PLAN**  
**SEPTEMBER 30, 2019**  
**(UNAUDITED)**

Fiscal Year Ending September 30,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>						
Service cost	\$ 637,599	\$ 673,135	\$ 623,575	\$ 600,171	\$ 623,863	\$ 676,486
Interest	1,533,656	1,601,695	1,535,793	1,443,346	1,378,512	1,279,098
Difference between actual and expected experience	(326,079)	(555,192)	(257,496)	(350,889)	(268,672)	-
Changes of assumptions	-	(10,211)	-	438,382	-	-
Benefit payments including refunds of contributions	<u>(1,475,853)</u>	<u>(1,016,808)</u>	<u>(1,238,504)</u>	<u>(759,152)</u>	<u>(1,040,029)</u>	<u>(280,537)</u>
Net change in total pension liability	369,323	692,619	663,368	1,371,858	693,674	1,675,047
Total pension liability - beginning	<u>20,549,076</u>	<u>19,856,457</u>	<u>19,193,089</u>	<u>17,821,231</u>	<u>17,127,557</u>	<u>15,452,510</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 20,918,399</u></u>	<u><u>\$ 20,549,076</u></u>	<u><u>\$ 19,856,457</u></u>	<u><u>\$ 19,193,089</u></u>	<u><u>\$ 17,821,231</u></u>	<u><u>\$ 17,127,557</u></u>
<b>Total Fiduciary Net Position</b>						
Contributions - employer	\$ 752,407	\$ 861,267	\$ 793,327	\$ 887,944	\$ 834,900	\$ 816,608
Contributions - employee	199,258	179,027	165,681	162,257	163,518	184,927
Net investment income	586,457	1,034,593	1,560,376	1,348,632	(65,358)	1,156,984
Benefit payments, including refunds of contributions	(1,475,853)	(1,016,808)	(1,238,504)	(759,152)	(1,040,029)	(280,537)
Administrative expense	<u>(36,704)</u>	<u>(59,210)</u>	<u>(32,941)</u>	<u>(28,181)</u>	<u>(28,388)</u>	<u>(19,746)</u>
Net change in plan fiduciary net position	25,565	998,869	1,247,939	1,611,500	(135,357)	1,858,236
Plan fiduciary net position - beginning	<u>18,558,157</u>	<u>17,559,288</u>	<u>16,311,349</u>	<u>14,699,849</u>	<u>14,835,206</u>	<u>12,976,970</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 18,583,722</u></u>	<u><u>\$ 18,558,157</u></u>	<u><u>\$ 17,559,288</u></u>	<u><u>\$ 16,311,349</u></u>	<u><u>\$ 14,699,849</u></u>	<u><u>\$ 14,835,206</u></u>
<b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 2,334,677</u></u>	<u><u>\$ 1,990,919</u></u>	<u><u>\$ 2,297,169</u></u>	<u><u>\$ 2,881,740</u></u>	<u><u>\$ 3,121,382</u></u>	<u><u>\$ 2,292,351</u></u>
Plan fiduciary net position as a percentage of the total pension liability	88.84%	90.31%	88.43%	84.99%	82.49%	86.62%
Covered payroll	\$ 3,985,148	\$ 3,588,614	\$ 3,305,528	\$ 3,245,125	\$ 4,089,610	\$ 3,698,541
Net pension liability as a percentage of covered payroll	58.58%	55.48%	69.49%	88.80%	76.32%	61.98%

\*10 years of data will be presented as it becomes available.

**CITY OF LYNN HAVEN, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
POLICE PLAN  
SEPTEMBER 30, 2019  
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2019	\$ 257,277	\$ 269,493	\$ (12,216)	\$ 1,760,537	15.31%
2018	244,035	259,692	(15,657)	1,492,008	17.41%
2017	243,816	228,789	15,027	1,242,529	18.41%
2016	268,378	308,495	(40,117)	1,247,810	24.72%
2015	285,571	285,571	-	1,287,209	22.19%
2014	286,402	286,402	-	N/A	N/A

Notes to Schedule:

Valuation Date: 10/1/2017  
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 cost  
Amortization Method: Unfunded actuarial accrued liability amortized as follows:  
Experience: 15 Years.  
Assumption/Method Changes: 15 Years.  
Benefit Changes: 15 Years.  
Asset Valuation Method: All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.  
Inflation: 2.70%  
Salary Increases: 6.50%  
Investment Rate of Return: 7.50% per year compounded annually, net of investment related expenses.  
Mortality: Healthy Lives:  
Female: RP2000 Combined Healthy, 100% Combined Healthy White Collar, Scale  
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.  
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.  
Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.  
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. We feel this assumption is reasonable based on the plan provisions.

Termination and Disability Rate Table

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

\*10 years of data will be presented as it becomes available.

**CITY OF LYNN HAVEN, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FIRE PLAN  
SEPTEMBER 30, 2019  
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2019	\$ 218,342	\$ 243,424	\$ (25,082)	\$ 1,104,869	22.03%
2018	181,559	140,739	40,820	1,021,678	13.78%
2017	185,478	158,571	26,907	920,087	17.23%
2016	189,266	276,090	(86,824)	792,315	34.85%
2015	217,291	217,291	-	826,871	26.28%
2014	233,462	233,462	-	835,712	27.94%

Notes to Schedule:

Valuation Date: 10/1/2017

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 cost  
Amortization Method: Unfunded actuarial accrued liability amortized as follows:  
Experience: 10 Years.  
Assumption/Method Changes: 20 Years.  
Benefit Changes: 30 Years.

Asset Valuation Method: All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

Inflation: 2.50%  
Salary Increases: Service based, 5%-7%  
Investment Rate of Return: 7.25% per year compounded annually, net of investment related expenses.  
Mortality: Healthy Lives:  
Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.  
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.  
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.  
Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

Retirement Age: Earlier age 55 and 10 years of service or 25 years of service, regardless of age.  
Disability Rate Table:

Age	% Becoming Disabled During the Year
20	0.03%
30	0.04%
40	0.07%
50	0.18%

\*10 years of data will be presented as it becomes available.

**CITY OF LYNN HAVEN, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
GENERAL EMPLOYEES PLAN  
SEPTEMBER 30, 2019  
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2019	\$ 852,552	\$ 752,407	\$ 100,145	\$ 3,985,148	18.88%
2018	822,316	861,267	(38,951)	3,588,614	24.00%
2017	778,361	793,327	(14,966)	3,305,528	24.00%
2016	809,145	887,944	(78,799)	3,245,125	27.36%
2015	834,900	834,900	-	4,089,610	20.42%
2014	816,608	816,608	-	3,698,541	22.08%
2013	730,071	730,071	-	3,632,195	20.10%

Notes to Schedule:

Valuation Date: 10/1/2017

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 cost  
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: Historic geometric 4-year average market value return  
Inflation: 2.70%  
Salary Increases: 6.00%, until retirement age  
Investment Rate of Return: 7.50%, compounded annually, net of investment related expenses  
Mortality: Healthy Active Lives:  
Female: RP2000 Combined Healthy, 100% Combined Healthy White Collar, Scale  
Male: RP2000 Combined Healthy, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.  
Healthy Inactive Lives:  
Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.  
Male: RP2000 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.  
Retirement Age: Attainment of age 55 and completion of 10 years of service  
Termination and Disability Rate Table

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

\*10 years of data will be presented as it becomes available

**CITY OF LYNN HAVEN, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF INVESTMENT RETURNS  
 SEPTEMBER 30, 2019**

<b>For the Year Ending September 30,</b>	<b>Police Plan</b>	<b>Fire Plan</b>	<b>General Employees Plan</b>
2019	4.01%	4.28%	3.18%
2018	5.49%	8.63%	5.87%
2017	9.47%	12.17%	9.56%
2016	9.07%	4.98%	9.13%
2015	-0.71%	-0.63%	-0.44%
2014	8.83%	11.14%	8.67%

\*10 years of data will be presented as it becomes available.

**SUPPLEMENTARY INFORMATION**

**CITY OF LYNN HAVEN, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	<b>Hurricane Michael Disaster Relief</b>	<b>Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 2,884	\$ 322,391	\$ 325,275
Total assets	\$ 2,884	\$ 322,391	\$ 325,275
<b>LIABILITIES</b>			
Total liabilities	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>			
Restricted for:			
Disaster recovery and relief	\$ 2,884	\$ -	\$ 2,884
Debt service	-	322,391	322,391
Total fund balances	2,884	322,391	325,275
Total liabilities and fund balances	\$ 2,884	\$ 322,391	\$ 325,275

**CITY OF LYNN HAVEN, FLORIDA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Hurricane Michael Disaster Relief</b>	<b>Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Investment income	\$ 34	\$ 14,020	\$ 14,054
Miscellaneous	167,850	-	167,850
<b>Total revenues</b>	<u>167,884</u>	<u>14,020</u>	<u>181,904</u>
<b>Expenditures</b>			
Current:			
Disaster recovery	165,000	-	165,000
Debt service:			
Principal retirement	-	1,184,374	1,184,374
Interest and fiscal charges	-	234,444	234,444
<b>Total expenditures</b>	<u>165,000</u>	<u>1,418,818</u>	<u>1,583,818</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,884</u>	<u>(1,404,798)</u>	<u>(1,401,914)</u>
<b>Other financing sources (uses)</b>			
Transfers in	-	1,407,656	1,407,656
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>1,407,656</u>	<u>1,407,656</u>
<b>Net change in fund balances</b>	<u>2,884</u>	<u>2,858</u>	<u>5,742</u>
<b>Fund balances, beginning of year</b>	-	319,533	319,533
<b>Fund balances, end of year</b>	<u>\$ 2,884</u>	<u>\$ 322,391</u>	<u>\$ 325,275</u>

**CITY OF LYNN HAVEN, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Federal/State Agency / Pass-Through Entity / Federal Program / State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>			
<u>Department of Homeland Security / Federal Emergency Management Administration</u>			
Indirect Programs:			
Pass-Through Florida Division of Emergency Management Disaster Grants - Public Assistance	97.036	Hurricane Michael	\$ 11,549,485
<b>Total Federal Awards</b>			<u><u>\$ 11,549,485</u></u>
<b>STATE FINANCIAL ASSISTANCE</b>			
<u>State of Florida Department of Environmental Protection</u>			
Direct Programs:			
Drinking Water Facility Construction	37.076	DW030290	\$ 1,054,892
Wastewater Treatment Facility Construction	37.077	WW030260	1,422,629
Total Florida Department of Environmental Protection			<u>2,477,521</u>
<u>State of Florida Department of Transportation</u>			
Direct Programs:			
Florida Shared-use Nonmotorized (Sun) Trail Network Program	55.038	439928-1-34-01	4,960
<b>Total State Financial Assistance</b>			<u><u>\$ 2,482,481</u></u>

The accompanying notes to the schedule of expenditures of federal awards and state financial assistance are an integral part of this statement.

**CITY OF LYNN HAVEN, FLORIDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal and state grant activity of the City of Lynn Haven, Florida (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215.97, Florida Statutes, *Florida Single Audit Act*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215, Florida Statutes, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) **De Minimis Indirect Cost Rate Election:**

The City did not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

(4) **Subrecipients:**

The City did not pass any monies recognized on the schedule of expenditures of federal awards and state financial assistance to subrecipients.

(5) **Deferred FEMA Expenditures:**

During the fiscal year ended September 30, 2019, the City incurred substantial costs related to Hurricane Michael. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under CFDA 97.036 are not to be recognized as expenditures for purposes of the Schedule of Expenditures of Federal Awards and State Financial Assistance until the respective Project Worksheets (PW) have been approved. At September 30, 2019, only some of the City's PWs from these storms had been approved by FEMA. As a result, there are \$4,013,190 of expenditures and the related revenues which have been recorded for financial statement purposes and not on the Schedule of Expenditures of Federal Awards and State Financial Assistance; these expenditures will be recognized on the Schedule of Expenditures of Federal Awards and State Financial Assistance in future years once approved by FEMA.

(6) **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all Project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

**CITY OF LYNN HAVEN, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**A. Summary of Auditors' Results:**

***Financial Statements:***

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified?   X   yes        none reported

Noncompliance material to financial statements noted?   X   yes        no

***Federal Awards:***

Internal control over major Federal programs:

Material weakness(es) identified?   X   yes        no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   yes        none reported

Auditee qualified as a low-risk auditee?        yes   X   no

Dollar threshold used to distinguish between type A and type B programs:   \$750,000  

Identification of major Federal programs:

CFDA Number	Program Name
97.036	Disaster Grants – Public Assistance

***State Financial Assistance:***

Internal control over major State projects:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        yes   X   none reported

Type of auditor's report issued on compliance for major State projects: *Unmodified*

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550?  yes  none reported

Dollar threshold used to distinguish between type A and type B programs: \$744,744

Identification of major State programs:

CSFA Number	Program Name
37.076	Drinking Water Facility Construction
37.077	Wastewater Treatment Facility Construction

**B. Financial Statement Findings:**

**2019-001 Management Override and Segregation of Duties**

*Criteria:* Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Although internal controls are critical in the prevention and detection of fraud, management may still be able to override controls to perpetrate fraud.

*Condition:* We noted proper segregation of duties were not implemented for all significant transaction areas during the year. In addition, we noted override of key controls by management which resulted in potential fraud taking place through the City’s purchasing function.

*Cause:* Certain controls were circumvented in a time of disaster after Hurricane Michael. In addition, certain internal controls related to segregation of duties were not present. A reduced level of internal controls will increase the chances of asset misappropriation.

*Effect:* Substantial payments were made by the City that were subsequently identified as potentially fraudulent, and the loss of such funds may not ultimately be recovered.

*Recommendation:* We recommend management develop and implement controls that sufficiently segregate duties within the accounting function. We also recommend management and those charged with governance continually assess the risk environment for potential situations with heightened risk of management override of controls.

**2019-002 Timeliness of Bank Reconciliations**

*Criteria:* Bank accounts should be reconciled on a timely and regular basis to help prevent misappropriation and ensure the proper recording of all cash transactions.

*Condition:* Bank reconciliations were not performed timely during the course of the year.

*Cause:* We noted the City’s bank accounts were not reconciled on a timely basis during the year during the year.

*Effect:* Assets could potentially be misappropriated or accounting records could be misstated, with such issues not being identified on a timely basis, if at all.

*Recommendation:* We recommend the City's finance department perform bank reconciliations within 30 days after the end of the month and ensure all reconciled balances per the bank reconciliations agree to the general ledger.

### **2019-003 Reconciliation of Account Balances and Audit Adjustments**

*Criteria:* Internal controls over financial reporting should include timely year-end reconciliations of all significant account balances, with such reconciliations to also include procedures related to the proper cutoff of significant revenue and expense activities. These reconciliations should be performed on a timely and regular basis to help prevent misappropriation and ensure timely identification of errors or other issues.

*Condition:* Many significant account balances were not reconciled until a significant period of time after year-end.

*Cause:* For the year ended September 30, 2019, many accounts were not reconciled on a timely basis and certain adjustments were required to be made to the accounting records subsequent to the start of the audit process related to year-end accrual entries. We noted this to be largely due to significant personnel turnover during and subsequent to year-end.

*Effect:* Financial statements would be materially misstated if significant adjustments were not made. Errors or improper activity may not be detected on a timely basis if reconciliations are not performed timely.

*Recommendation:* We recommend management select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.

### **2019-004 Journal Entry Controls**

*Criteria:* Internal controls over financial reporting should include processes that require journal entries made to the accounting system of sub-ledgers be reviewed and approved by an individual other than the individual responsible for preparing the journal entry.

*Condition:* There was no formal journal entry review process in place during the fiscal year.

*Cause:* Various personnel changes took place and internal control deficiencies from the prior year were not remediated.

*Effect:* Improper journal entry activity, whether due to error or fraud, may not be detected on a timely basis.

*Recommendation:* We recommend management develop and implement processes that require all journal entries be reviewed by someone other than the preparer.

### **2019-005 Purchasing Policy**

*Criteria:* Internal controls over the purchasing function should be designed to prevent misappropriation of assets.

*Condition:* During the year ended September 30, 2019, it was noted purchasing controls were overridden on various occasions by individuals no longer employed by the City.

*Cause:* The procurement process lacked segregation of duties at various points in the process and adequate internal controls were not in place to address the risk of management override of controls.

*Effect:* Substantial payments were made by the City that were subsequently identified as potentially fraudulent, and the loss of such funds may not ultimately be recovered.

*Recommendation:* We recommend current management review the policies and procedures related to purchases and implement further controls that ensure key processes and procedures are followed in all instances.

### **2019-006 Information Technology Matters**

*Criteria:* The City's information technology (IT) environment plays a key role in the financial reporting process, and safeguards should be in place to protect the integrity and security of all financial data.

*Condition:* Various areas for improvement were identified during our analysis of the City's IT environment. The specific areas are exempt from public access provided by Florida Statutes 119.07(1) and 286.001 and other laws and rules requiring public access or disclosure. This exemption is addressed under Florida Statute 281.301, Security systems; records and meetings exempt from public access or disclosure.

*Cause:* Certain IT policies, procedures, and/or best practices were not implemented and/or updated in recent years.

*Effect:* The exploitation of certain deficiencies could result in the compromise of the integrity and/or security of the City's data as it relates to financial reporting.

*Recommendation:* Recommendations have been provided to management in a separate letter exempt from public disclosure for the same reasons as noted in the "Condition" paragraph.

## **C. Federal Program Findings and Questioned Costs:**

### **2019-007 Allowable Costs – Disaster Grants – Public Assistance (CFDA #97.036)**

*Criteria:* The control environment is a key component of an entities internal control. Key principles of a strong control environment are the demonstration of commitment to integrity and ethical values as well as an established structure or responsibility and authority and adequate review of grant reimbursement activity for compliance.

*Condition:* During the year ended September 30, 2019, potentially fraudulent invoices were submitted to FEMA for reimbursement. The potentially fraudulent invoices and all other invoices with the vendors in question were subsequently withdrawn by the City for reimbursement. This prompted criminal investigations of former City employees and vendors.

*Cause:* Certain controls were circumvented in a time of disaster after Hurricane Michael. In addition, certain internal controls related to segregation of duties were not present. A reduced level of internal controls will increase the risk of grant noncompliance.

*Effect:* Substantial payments were made by the City and initially submitted to FEMA for reimbursement that were subsequently identified as potentially fraudulent, and the loss of such funds may not ultimately be recovered. Such funds were not obligated by FEMA nor recognized on

the schedule of expenditures of federal awards and state financial assistance and, therefore, there are no questioned costs related to these expenditures.

*Recommendation:* We recommend the City evaluate its overall control structure with an emphasis on improvement of the overall control environment and compliance over federal and state grant programs.

- D. **State Project Findings and Questioned Costs:** None.
- E. **Summary Schedule of Prior Audit Findings:** See schedule of prior audit findings on page 84.
- F. **Corrective Action Plan:** See Management's Response to findings on page 85.

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

To the Honorable Mayor, City Commission, and City Manager,  
City of Lynn Haven, Florida:

**Report on Compliance for Each Major Federal Program and State Project**

We have audited the City of Lynn Haven, Florida's (the City) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and *Florida Department of Financial Services State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2019. The City's major federal programs and 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 the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and 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; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.550, Rules of the State of Florida, Office 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 federal program or 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 federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

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Telephone: 386-738-3300

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850-386-6184

### ***Opinion on Each Major Federal Program and 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 federal programs and state projects for the year ended September 30, 2019.

### **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 federal program or state project as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, 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.

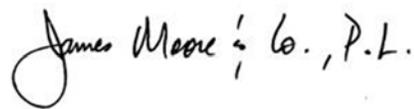
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or 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 federal program or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-007 that we consider to be a material weakness.

### **Management's Response to Findings**

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Daytona Beach, Florida  
June 23, 2020

**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***

To the Honorable Mayor, City Commission, and City Manager,  
City of Lynn Haven, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2020.

***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 (internal control) 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005, to be material weaknesses.

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. We consider the deficiency described in the schedule of findings and questioned costs as items 2019-006, to be a significant deficiency.

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### ***Compliance and Other Matters***

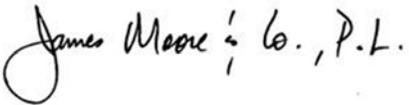
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-005, and 2019-007.

### **Management's Response to Findings**

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Daytona Beach, Florida  
June 23, 2020

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,  
City of Lynn Haven, Florida:

**Report on the Financial Statements**

We have audited the basic financial statements of City of Lynn Haven, Florida (the City), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 23, 2020.

**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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; 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 June 23, 2020, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No repeat findings exist from the second preceding audit. The following is a summary of prior year recommendations:

**2018-001 Segregation of Duties** – Corrective action not taken. See repeat comment 2019-001.

**2018-002 Inconsistent Review of Financial Information** – Corrective action taken.

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**2018-003 Adherence to Purchasing Policies** – Corrective action not taken. See repeat comment 2019-005.

**2018-004 Inadequate Purchasing Policies** – Corrective action not taken. See repeat comment 2019-005.

**2018-005 Significant Audit Adjustments** – Corrective action not taken. See repeat comment 2019-003.

### **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 legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

### **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 conditions met. In connection with our audit, we determined that the City, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 the 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 had the following recommendation:

**2019-008 Utility Charges** – We noted one customer outside of the City limits was being charged the garbage rate used for customers inside of the City limits. This was due to an input error during initial setup of the customer. We recommend the City ensure proper review procedures are in place when new customers are setup and for staff to regularly review the utility register for these types of discrepancies to avoid similar errors in utility billings.

### **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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Management's Response to Findings**

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Commission, management, others within the City, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daytona Beach, Florida  
June 23, 2020

*James Moore & Co., P.L.*

**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**

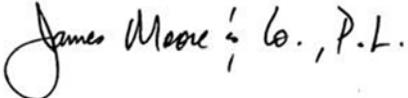
To the Honorable Mayor, City Commission, and City Manager,  
City of Lynn Haven, Florida:

We have examined the City of Lynn Haven, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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.

In our opinion, the City of Lynn Haven, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

Daytona Beach, Florida  
June 23, 2020



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MARGO D. ANDERSON  
MAYOR

VICKIE GAINER  
CITY MANAGER

ADAM ALBRITTON  
CITY ATTORNEY



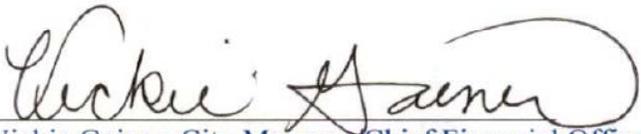
COMMISSIONERS  
BRANDON ALDRIDGE  
PAT PERNO  
DAN RUSSELL  
JUDY TINDER

**AFFIDAVIT**

BEFORE ME, the undersigned authority, personally appeared Vickie Gainer who being duly sworn, deposes and says on oath that:

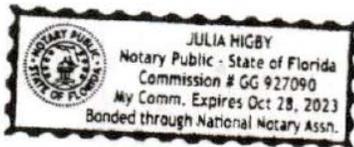
1. I am the Chief Financial Officer of The City of Lynn Haven which is a local governmental entity of the State of Florida;
2. The City of Lynn Haven adopted (Resolution No. 2016-06-651 and Ordinance No. 1062) implementing impact fees; and
3. The City of Lynn Haven has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

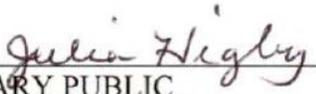
FURTHER AFFIANT SAYETH NAUGHT.

  
Vickie Gainer, City Manager/Chief Financial Officer

STATE OF FLORIDA  
COUNTY OF BAY

SWORN TO AND SUBSCRIBED before me this 17<sup>th</sup> day of June, 2020.



  
NOTARY PUBLIC  
Print Name Julia Higby

Personally known  or produced identification \_\_\_\_\_

Type of identification produced: \_\_\_\_\_

My Commission Expires: 10/28/23

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(850) 265-2121

MARGO D. ANDERSON  
MAYOR

VICKIE GAINER  
CITY MANAGER

ADAM ALBRITTON  
CITY ATTORNEY



COMMISSIONERS  
BRANDON ALDRIDGE  
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DAN RUSSELL  
JUDY TINDER

## SCHEDULE OF PRIOR AUDIT FINDINGS

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**2018-001 Segregation of Duties** – Corrective action not taken. See repeat comment 2019-001.

**2018-002 Inconsistent Review of Financial Information** – Corrective action taken.

**2018-003 Adherence to Purchasing Policies** – Corrective action not taken. See repeat comment 2019-005.

**2018-004 Inadequate Purchasing Policies** – Corrective action not taken. See repeat comment 2019-005.

**2018-005 Significant Audit Adjustments** – Corrective action not taken. See repeat comment 2019-003.

MARGO D. ANDERSON  
MAYOR

VICKIE GAINER  
CITY MANAGER

ADAM ALBRITTON  
CITY ATTORNEY



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DAN RUSSELL  
JUDY TINDER

## Management's Responses to Findings

### 2019-001 Management Override and Segregation of Duties

The City agrees that the previous department structure did not allot for separation of critical accounting duties. The City developed a new job description and hired a Budget Manager in the fall of 2019, adding additional oversight to the purchasing function. The City also developed and filled a part-time accounts payable position in the winter of 2020, further separating duties and adding to the level of oversight.

### 2019-002 Timeliness of Bank Reconciliations

The City agrees that bank reconciliations must be done in a timely manner. The City put into place "Positive Pay" for the General Operating Account in the fall of 2019. Check runs are uploaded to the bank for verification before checks are honored by the bank. Staff is electronically notified daily of any discrepancies. The bank will only honor items if approved by staff. Staff is currently working with the bank to produce files that can be uploaded into the accounting software, thereby clearing checks more accurately and streamlining the reconciliation process.

### 2019-003 Reconciliation of Account Balances and Audit Adjustments

The City agrees that account balances must be reconciled on a timely basis. A new Deputy Finance Director was hired in the winter of 2020. Department reports are currently being produced and reviewed on a regular basis. Additional attention is being focused on balance sheet maintenance. The Deputy Finance Director will work with the audit team to further develop procedures to assure compliance with generally accepted accounting principles.

### 2019-004 Journal Entry Controls

The City agrees that all journal entries must be reviewed by someone other than the preparer. The Deputy Finance Director is now reviewing all sub-ledger, payroll and accounts payable entries. The Budget Manager is reviewing entries made by the Deputy Finance Manager.

### 2019-005 Purchasing Policy

The City agrees that purchasing policies and procedures must be followed. With the addition of the Budget Manager position added oversight is now in place. A requisition module to the accounting software is currently being implemented, thereby automating the purchase order request procedure and placing more responsibility with individual department heads furthering the separation of duties. The City continues to review and update its purchasing policies on a regular basis as the city discovers deficiencies in its policy. In February 2020, the city commission adopted a new policy by recommendation of City staff on section 2.04, #6 of the purchasing policy which allows, during a declared emergency, immediate purchases of up to \$10,000 may be authorized by the City manager and need not comply with the standard competitive bid procedure. Any such purchase with be reported by the Budget Manager to the Deputy Finance Director, who will report to the Commission.

### 2019-006 Information Technology Matters

The City will review and implement added security measures recommended in this document. The City has hired a part-time IT assistant so that the IT Manager can concentrate on improving security measures.

### 2019-007 Allowable Costs – Disaster Grants – Public Assistance (CFDA #97.036)

The City agrees that the controls environment must be improved. Staff positions have been added and changes in personnel have been made. The City is focused on improving all areas of oversight and reporting. Large payments to vendors, which will be submitted for grant reimbursement are now paid by handwritten checks. After reviewing the support documentation, the Deputy Finance Manager prepares a handwritten check and submits it to the Mayor and City Manager for wet signature, thereby assuring even closer review and approval. The City is working with the audit team to identify areas for improvement and assure compliance with federal and state grant programs.

### 2019-008 Utility Charges

The City will consult with the software vendor to ensure all utility charges (inside city limits vs. outside city limits) are consistent for residents. City staff will put into place a review schedule to assure proper billing of residents.

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