

CITY OF LYNN HAVEN, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**CITY OF LYNN HAVEN, FLORIDA
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor Pro Tem, 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, 2020, 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, 2020, 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 – Federal Investigation

As discussed in Note (14) to the financial statements, during the year ended September 30, 2020, 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, multiple former members of the City's management and the former mayor 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.

Emphasis of Matter – Prior Period Restatements

As discussed in Note (12) to the financial statements, during the year ended September 30, 2020, the City identified certain errors with regard to accruals in the prior year financial statements and changed the revenue recognition criteria for certain utility tax receivables. As a result, certain beginning fund balance and net position balances as of September 30, 2019, have been restated in the current year financial statements. 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

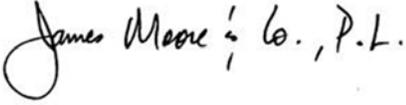
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards and state financial assistance as required by the audit requirements 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 March 23, 2021, 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.

Tallahassee, Florida
March 23, 2021

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'.

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, 2020. 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 \$75,944,058 (net position). Of this amount, \$8,041,633 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- The City’s total net position increased (decreased) by \$8,164,581 in fiscal year 2020, after restatements to beginning net position. Net position of the City’s governmental activities increased (decreased) by \$6,895,869, while net position of its business type activities increased (decreased) by \$1,268,712.
- The City’s governmental funds reported a combined ending fund balance of \$40,964,012 at the end of the current fiscal year, which increased (decreased) by \$1,398,848 in comparison to the \$39,565,164 (as restated) reported at the end of the prior fiscal year. Approximately \$11,130,806 of this amount is available for spending at the City’s discretion (unassigned fund balance).
- At the end of the 2020 fiscal year, unassigned fund balance for the General Fund was \$11,130,806 or 60% of the total fiscal year 2020 General Fund expenditures of \$18,608,517.
- The City’s total long-term debt obligations increased by \$5,295,706 during the fiscal year, due to the issuance of new bonds and notes payable 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 \$599,198 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 \$75,944,058 at the end of 2020, compared to \$67,779,477 at the end of 2019. This represents a total increase (decrease) of \$8,164,581 or 18% 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, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 43,681,669	\$ 41,011,891	\$ 17,319,005	\$ 17,755,638	\$ 61,000,674	\$ 58,767,529
Net pension asset	1,206,006	382,056	-	-	1,206,006	382,056
Capital assets	40,054,552	31,950,613	49,912,221	47,039,374	89,966,773	78,989,987
Total assets	\$ 84,942,227	\$ 73,344,560	\$ 67,231,226	\$ 64,795,012	\$ 152,173,453	\$ 138,139,572
DEFERRED OUTFLOWS	\$ 1,302,253	\$ 1,573,989	\$ 590,160	\$ 671,613	\$ 1,892,413	\$ 2,245,602
LIABILITIES						
Current liabilities	\$ 2,885,335	\$ 5,766,492	\$ 2,592,184	\$ 2,691,079	\$ 5,477,519	\$ 8,457,571
Noncurrent liabilities:	46,827,552	43,978,232	24,292,936	21,576,384	71,120,488	65,554,616
Total liabilities	\$ 49,712,887	\$ 49,744,724	\$ 26,885,120	\$ 24,267,463	\$ 76,598,007	\$ 74,012,187
DEFERRED INFLOWS	\$ 1,360,615	\$ 1,003,719	\$ 163,186	\$ 244,794	\$ 1,523,801	\$ 1,248,513
NET POSITION						
Net investment in capital assets	\$ 32,637,310	\$ 22,597,510	\$ 25,634,811	\$ 25,199,730	\$ 58,272,121	\$ 47,797,240
Restricted	4,273,755	5,615,077	5,356,549	4,835,737	9,630,304	10,450,814
Unrestricted	(1,740,087)	(4,042,481)	9,781,720	10,918,901	8,041,633	6,876,420
Total net position	\$ 35,170,978	\$ 24,170,106	\$ 40,773,080	\$ 40,954,368	\$ 75,944,058	\$ 65,124,474

The most significant component of the City's net position (approximately 77%) 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 (13%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 10% 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 \$8,041,633 at year-end, compared to \$6,876,420 in 2019. The main reason for the increase from the prior year was due to the continued recovery from the financial effects from Hurricane Michael, which impacted the City in October 2018.

The City's unrestricted net position decreased from a deficit of (\$4,042,481) to (\$1,740,087), again due to the impacts of Hurricane Michael and continued recovery. 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 2020, total revenues were \$38,085,051 compared to \$52,144,193 in the prior year. Approximately 10% of the City's revenue came from property taxes, 21% from other taxes and fees, 30% 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. The reason for the substantial decrease in total revenue is due to the magnitude of insurance and FEMA reimbursements received in 2019 immediately following Hurricane Michael.

During 2020, 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, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Property taxes	3,874,792	4,433,135	\$ -	\$ -	\$ 3,874,792	\$ 4,433,135
Other taxes and fees	8,072,390	7,739,779	-	-	8,072,390	7,739,779
Charges for services	1,153,418	1,793,443	10,289,902	8,842,561	11,443,320	10,636,004
Intergovernmental and grants	12,190,791	26,170,150	1,653,339	2,548,781	13,844,130	28,718,931
Other revenues	687,648	394,821	162,771	221,523	850,419	616,344
Total revenues	<u>25,979,039</u>	<u>40,531,328</u>	<u>12,106,012</u>	<u>11,612,865</u>	<u>38,085,051</u>	<u>52,144,193</u>
EXPENSES						
General government	1,414,112	1,724,217	-	-	1,414,112	1,724,217
Planning and code enforcement	431,214	1,428,182	-	-	431,214	1,428,182
Public safety	6,953,320	5,826,863	-	-	6,953,320	5,826,863
Physical environment	-	-	-	-	-	-
Transportation	1,697,063	1,915,644	-	-	1,697,063	1,915,644
Economic environment	317,568	220,504	-	-	317,568	220,504
Culture and recreation	1,620,050	1,496,078	-	-	1,620,050	1,496,078
Disaster recovery	5,684,534	34,304,682	-	-	5,684,534	34,304,682
Water utility	-	-	3,165,213	2,902,713	3,165,213	2,902,713
Sewer utility	-	-	2,985,470	2,797,537	2,985,470	2,797,537
Stormwater utility	-	-	1,570,499	1,189,897	1,570,499	1,189,897
Sanitation	-	-	2,649,359	2,364,623	2,649,359	2,364,623
Interest expense	965,309	384,785	466,759	523,910	1,432,068	908,695
Total expenses	<u>19,083,170</u>	<u>47,300,955</u>	<u>10,837,300</u>	<u>9,778,680</u>	<u>29,920,470</u>	<u>57,079,635</u>
Income before transfers	6,895,869	(6,769,627)	1,268,712	1,834,185	8,164,581	(4,935,442)
Transfers	-	-	-	-	-	-
Change in net position	6,895,869	(6,769,627)	1,268,712	1,834,185	8,164,581	(4,935,442)
Net position, beginning of year	28,275,109	30,939,733	39,504,368	39,120,183	67,779,477	70,059,916
Net position, end of year	<u>\$ 35,170,978</u>	<u>\$ 24,170,106</u>	<u>\$ 40,773,080</u>	<u>\$ 40,954,368</u>	<u>\$ 75,944,058</u>	<u>\$ 65,124,474</u>

*Certain 2020 beginning of year net position amounts have been restated. 2019 amounts are shown as presented in the prior year financial statements.

Governmental Activities

Revenues for the City's governmental activities totaled \$25,979,039 in 2020. This represents a decrease of nearly \$15 million from than last year's reported revenues of \$40,531,328, and is primarily related to the grant and insurance reimbursements related to Hurricane Michael peaking in the prior year in the aftermath of the storm.

Governmental activities expenses totaled \$19,083,170, which decreased over \$27 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 increased to a total of \$10,289,902, an increase from utility billings of \$8,842,561 in 2019 due to the lesser consumption in the aftermath of Hurricane Michael. Intergovernmental and grant revenues, however, did decrease to \$1.7 million in 2020 from \$2.5 million in 2019.

Total operating expenses of the proprietary funds fund in 2020 and totaled \$9,778,680, compared to \$8,500,015 in 2019, 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 \$40,964,012, which was an increase (decrease) of \$1,398,848 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, 2020, the unassigned fund balance in the general fund totaled \$11,130,806. This unassigned fund balance represents approximately 73% of the City's spending requirements experienced during 2020.

The City's community redevelopment fund had a fund balance of \$448,562 at the end of the year, an increase (decrease) of (\$69,420) 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 \$23,863,980, an increase (decrease) of (\$2,873,995) from the prior year, and all of which was restricted and related to debt proceeds and grant/insurance reimbursements in excess of disaster recovery expenditures. The ending fund balance in the Disaster Recovery Fund is expected to 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 increased \$1.5 million from the prior year, with similar increases observed in the water, sewer, and stormwater funds due to increased customer activity in the ongoing recovery efforts following Hurricane Michael.

General Fund Budgetary Highlights

The City received \$5,000,000 from FEMA in the form of a Community Disaster Loan. Electric Utility Tax collections were \$640,302 above budget and Electric Franchise Fees were \$159,438 above budget. The Restore Grant was not received in FY 2020 for a shortfall of \$450,000. Miscellaneous Revenues were above budget by \$204,679. Nearly all departments had budget savings during FY 2020 due to delayed projects and cost cutting measures. The Building Department was over budget by \$94,744 due to increased need for outsourced inspections relating to Hurricane Michael.

All of these factors combined resulted in a \$4,648,194 increase to General Fund Balance for Fiscal Year 2020.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2020, the City had nearly \$90 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 \$68,886,709 at year-end, compared to \$63,673,039 one year earlier. The proceeds of these loans, which included a \$5 million disaster recovery loan drawn in the current year and additional amounts drawn 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 2021 are in flux.
- The most recent estimates available for unemployment data in Bay County Florida are compiled by the Florida Department of Economic Opportunity. Preliminary numbers for January 2021 show Bay County with a not seasonally adjusted rate of 4.5% which is significantly improved over last year's numbers.
- 94 % of the budgeted Property Tax revenue for FY 2021 has been collected as of March 2021. The approved millage rate of 4.3 will be adequate to meet budget projections. No preliminary evaluations have been received from the Bay County Property Appraiser as of March 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 2020: 84 Single Family Homes, 8 Commercial properties and 126 Multi-Family homes.

- The fiscal year 2021 adopted budget for all funds utilized the prior year's final adopted budget and the City's actual financial results as the baseline from which priority setting and decisions were made to formulate the new budget. The final budget was further modified to reflect changing revenues 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 or via email to cityhall@cityoflynnhaven.com.

CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 15,723,908	\$ 10,256,965	\$ 25,980,873
Receivables, net	745,560	925,910	1,671,470
Due from other governments	3,320,321	473,460	3,793,781
Notes receivable	-	93,321	93,321
Inventories	31,201	84,178	115,379
Prepays	178,675	44,166	222,841
Restricted assets:			
Equity in pooled cash	23,682,004	5,441,005	29,123,009
Net pension asset	1,206,006	-	1,206,006
Capital assets:			
Capital assets, not being depreciated	7,529,737	15,965,762	23,495,499
Other capital assets, net of depreciation	32,524,815	33,946,459	66,471,274
Total assets	<u>\$ 84,942,227</u>	<u>\$ 67,231,226</u>	<u>\$ 152,173,453</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ -	\$ 382,057	\$ 382,057
Deferred outflows related to pensions	1,262,621	195,650	1,458,271
Deferred outflows related to OPEB	39,632	12,453	52,085
Total deferred outflows	<u>\$ 1,302,253</u>	<u>\$ 590,160</u>	<u>\$ 1,892,413</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 2,688,667	\$ 566,063	\$ 3,254,730
Customer deposits	10,605	449,735	460,340
Unearned revenue	18,385	145,311	163,696
Accrued interest payable	102,015	84,456	186,471
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	3,117,756	1,327,093	4,444,849
Compensated absences	65,663	19,526	85,189
Due in more than one year:			
Bonds and notes payable	41,109,486	23,332,374	64,441,860
Compensated absences	403,359	110,650	514,009
Total OPEB liability	330,135	103,737	433,872
Net pension liability	1,866,816	746,175	2,612,991
Total liabilities	<u>\$ 49,712,887</u>	<u>\$ 26,885,120</u>	<u>\$ 76,598,007</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 1,336,392	\$ 155,574	\$ 1,491,966
Deferred inflows related to OPEB	24,223	7,612	31,835
Total deferred inflows of resources	<u>\$ 1,360,615</u>	<u>\$ 163,186</u>	<u>\$ 1,523,801</u>
NET POSITION			
Net investment in capital assets	\$ 32,637,310	\$ 25,634,811	\$ 58,272,121
Restricted for:			
Pensions	768,367	-	768,367
Law enforcement education	6,155	-	6,155
Capital expansion	1,903,035	4,188,230	6,091,265
Infrastructure	1,144,071	-	1,144,071
Disaster recovery and relief	3,565	-	3,565
Debt service	-	1,168,319	1,168,319
Community redevelopment	448,562	-	448,562
Unrestricted	(1,740,087)	9,781,720	8,041,633
Total net position	<u>\$ 35,170,978</u>	<u>\$ 40,773,080</u>	<u>\$ 75,944,058</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, 2020**

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	\$ 1,414,112	\$ 228,728	\$ 12,509	\$ 76,809	\$ (1,096,066)	\$ -	\$ (1,096,066)
Planning and code enforcement	431,214	624,332	-	-	193,118	-	193,118
Public safety	6,953,320	275,653	4,668	137,806	(6,535,193)	-	(6,535,193)
Transportation	1,697,063	-	431,133	978,657	(287,273)	-	(287,273)
Economic environment	317,568	-	-	445,672	128,104	-	128,104
Culture and recreation	1,620,050	24,705	-	89,571	(1,505,774)	-	(1,505,774)
Disaster recovery	5,684,534	-	9,106,372	-	3,421,838	-	3,421,838
Interest on long-term debt	965,309	-	-	-	(965,309)	-	(965,309)
Total governmental activities	<u>19,083,170</u>	<u>1,153,418</u>	<u>9,554,682</u>	<u>1,728,515</u>	<u>(6,646,555)</u>	<u>-</u>	<u>(6,646,555)</u>
Business-type activities:							
Water	3,296,621	4,019,092	702,645	214,621	-	1,639,737	1,639,737
Sewer	3,218,106	3,304,587	-	599,032	-	685,513	685,513
Stormwater	1,673,214	392,176	-	137,041	-	(1,143,997)	(1,143,997)
Sanitation	2,649,359	2,620,787	-	-	-	(28,572)	(28,572)
Total business-type activities	<u>10,837,300</u>	<u>10,336,642</u>	<u>702,645</u>	<u>950,694</u>	<u>-</u>	<u>1,152,681</u>	<u>1,152,681</u>
Total primary government	<u>\$ 29,920,470</u>	<u>\$ 11,490,060</u>	<u>\$ 10,257,327</u>	<u>\$ 2,679,209</u>	<u>(6,646,555)</u>	<u>1,152,681</u>	<u>(5,493,874)</u>
General revenues:							
Property taxes					3,874,792	-	3,874,792
Sales taxes					2,098,512	-	2,098,512
Infrastructure surtax					1,974,541	-	1,974,541
Communications service tax					557,331	-	557,331
Casualty and fire insurance premium taxes					254,525	-	254,525
Public service taxes					1,666,088	-	1,666,088
Other taxes					96,058	-	96,058
Franchise fees					1,425,335	-	1,425,335
State revenue sharing					907,594	-	907,594
Investment earnings					244,913	116,031	360,944
Miscellaneous revenues					442,735	-	442,735
Total general revenues and transfers					<u>13,542,424</u>	<u>116,031</u>	<u>13,658,455</u>
Change in net position					6,895,869	1,268,712	8,164,581
Net position - beginning of year, as restated					28,275,109	39,504,368	67,779,477
Net position - ending of year					<u>\$ 35,170,978</u>	<u>\$ 40,773,080</u>	<u>\$ 75,944,058</u>

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

**CITY OF LYNN HAVEN, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>General</u>	<u>Community Redevelopment</u>	<u>Disaster Recovery</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Equity in pooled cash and cash equivalents	\$ 16,454,797	\$ 461,207	\$ 22,470,564	\$ 19,344	\$ 39,405,912
Receivables, net	288,008	-	457,552	-	745,560
Due from other governments	1,418,915	-	1,901,406	-	3,320,321
Inventories	31,201	-	-	-	31,201
Prepaid items	5,000	-	173,675	-	178,675
Total assets	<u>\$ 18,197,921</u>	<u>\$ 461,207</u>	<u>\$ 25,003,197</u>	<u>\$ 19,344</u>	<u>\$ 43,681,669</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,536,805	\$ 12,645	\$ 1,139,217	\$ -	\$ 2,688,667
Customer deposits	10,605	-	-	-	10,605
Unearned revenue	18,385	-	-	-	18,385
Total liabilities	<u>1,565,795</u>	<u>12,645</u>	<u>1,139,217</u>	<u>-</u>	<u>2,717,657</u>
FUND BALANCES					
Nonspendable:					
Inventories	31,201	-	-	-	31,201
Prepaid items	5,000	-	173,675	-	178,675
Restricted for:					
Law enforcement education	6,155	-	-	-	6,155
Capital expansion	1,903,035	-	-	-	1,903,035
Infrastructure	1,144,071	-	-	-	1,144,071
Disaster recovery and relief	-	-	23,690,305	3,565	23,693,870
Debt service	-	-	-	15,779	15,779
Community redevelopment	-	448,562	-	-	448,562
Assigned to:					
Subsequent year's budget	2,411,858	-	-	-	2,411,858
Unassigned	11,130,806	-	-	-	11,130,806
Total fund balances	<u>16,632,126</u>	<u>448,562</u>	<u>23,863,980</u>	<u>19,344</u>	<u>40,964,012</u>
Total liabilities and fund balances	<u>\$ 18,197,921</u>	<u>\$ 461,207</u>	<u>\$ 25,003,197</u>	<u>\$ 19,344</u>	<u>\$ 43,681,669</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, 2020**

Fund balances - total governmental funds		\$ 40,964,012
<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	54,936,543	
Less: accumulated depreciation	<u>(14,881,991)</u>	40,054,552
<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	(1,866,816)	
Net pension asset	1,206,006	
Deferred outflows related to pensions	1,262,621	
Deferred inflows related to pensions	<u>(1,336,392)</u>	(734,581)
<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	(330,135)	
Deferred outflows related to OPEB	39,632	
Deferred inflows related to OPEB	<u>(24,223)</u>	(314,726)
<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	(44,227,242)	
Accrued interest payable	(102,015)	
Compensated absences	<u>(469,022)</u>	(44,798,279)
Net position of governmental activities		<u><u>\$ 35,170,978</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, 2020

	<u>General</u>	<u>Community Redevelopment</u>	<u>Disaster Recovery</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 8,456,992	\$ 272,512	\$ -	\$ -	\$ 8,729,504
Permits and fees	2,339,729	-	-	-	2,339,729
Intergovernmental	4,447,612	-	8,111,596	-	12,559,208
Charges for services	2,103,673	-	-	-	2,103,673
Fines and forfeitures	91,140	-	-	-	91,140
Investment income	99,901	4,047	140,589	376	244,913
Miscellaneous	256,254	-	7,500	59,320	323,074
Total revenues	<u>17,795,301</u>	<u>276,559</u>	<u>8,259,685</u>	<u>59,696</u>	<u>26,391,241</u>
Expenditures					
Current:					
General government	2,603,410	-	-	-	2,603,410
Planning and code enforcement	997,753	-	-	-	997,753
Public safety	6,072,776	-	-	650	6,073,426
Transportation	1,067,731	-	-	-	1,067,731
Economic environment	81,766	148,572	-	-	230,338
Culture and recreation	1,330,304	-	-	-	1,330,304
Disaster recovery	25,653	-	5,600,881	58,000	5,684,534
Capital outlay	4,001,051	197,407	5,911,486	-	10,109,944
Debt service:					
Principal retirement	2,225,871	-	-	-	2,225,871
Interest and fiscal charges	202,202	-	808,436	11,269	1,021,907
Total expenditures	<u>18,608,517</u>	<u>345,979</u>	<u>12,320,803</u>	<u>69,919</u>	<u>31,345,218</u>
Excess (deficiency) of revenues over expenditures	<u>(813,216)</u>	<u>(69,420)</u>	<u>(4,061,118)</u>	<u>(10,223)</u>	<u>(4,953,977)</u>
Other financing sources (uses)					
Transfers in	295,708	-	-	-	295,708
Transfers out	-	-	-	(295,708)	(295,708)
Proceeds from sale of capital assets	53,754	-	-	-	53,754
Proceeds from insurance recoveries	111,948	-	1,049,790	-	1,161,738
Issuance of long-term debt	5,000,000	-	137,333	-	5,137,333
Total other financing sources (uses)	<u>5,461,410</u>	<u>-</u>	<u>1,187,123</u>	<u>(295,708)</u>	<u>6,352,825</u>
Net change in fund balances	<u>4,648,194</u>	<u>(69,420)</u>	<u>(2,873,995)</u>	<u>(305,931)</u>	<u>1,398,848</u>
Fund balances, beginning of year, as restated	11,983,932	517,982	26,737,975	325,275	39,565,164
Fund balances, end of year	<u>\$ 16,632,126</u>	<u>\$ 448,562</u>	<u>\$ 23,863,980</u>	<u>\$ 19,344</u>	<u>\$ 40,964,012</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, 2020**

Net change in fund balances - total governmental funds	\$ 1,398,848
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	10,109,944
Depreciation expense	(1,960,980)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, CIP project abandoned) is to decrease net position.	
	(121,834)
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	2,225,871
Forgiveness of general long-term debt	103,000
Issuance of governmental long-term debt	(5,137,333)
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	225,730
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	56,598
Change in compensated absences liability	(67,955)
Change in total OPEB liability	(12,829)
Change in net position of governmental activities	\$ 6,895,869

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, 2020

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Stormwater	Sanitation	
ASSETS					
Equity in pooled cash and cash equivalents	\$ 5,324,962	\$ 930,976	\$ 443,850	\$ 3,557,177	\$ 10,256,965
Accounts receivable, net	341,951	335,118	39,527	209,314	925,910
Due from other governments	473,460	-	-	-	473,460
Notes receivable	-	93,321	-	-	93,321
Inventories	81,402	-	-	2,776	84,178
Prepaid items	12,392	31,774	-	-	44,166
Restricted current assets					
Equity in pooled cash	430,517	851,364	129,668	-	1,411,549
Total current assets	<u>6,664,684</u>	<u>2,242,553</u>	<u>613,045</u>	<u>3,769,267</u>	<u>13,289,549</u>
Noncurrent assets:					
Restricted cash	789,247	2,644,898	595,311	-	4,029,456
Capital assets:					
Land	332,211	968,620	13,000	-	1,313,831
Construction in progress	5,584,558	7,807,028	1,260,345	-	14,651,931
Buildings	760,731	556,516	-	-	1,317,247
Improvements	15,333,456	31,391,411	8,773,467	-	55,498,334
Machinery and equipment	1,791,048	2,069,799	668,450	2,010,379	6,539,676
Accumulated depreciation	(7,699,946)	(18,274,650)	(2,020,919)	(1,413,283)	(29,408,798)
Total capital assets, net	<u>16,102,058</u>	<u>24,518,724</u>	<u>8,694,343</u>	<u>597,096</u>	<u>49,912,221</u>
Total noncurrent assets	<u>16,891,305</u>	<u>27,163,622</u>	<u>9,289,654</u>	<u>597,096</u>	<u>53,941,677</u>
Total assets	<u>\$ 23,555,989</u>	<u>\$ 29,406,175</u>	<u>\$ 9,902,699</u>	<u>\$ 4,366,363</u>	<u>\$ 67,231,226</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on bond refunding	\$ 179,216	\$ 202,841	\$ -	\$ -	\$ 382,057
Deferred outflows related to pensions	71,390	53,436	33,457	37,367	195,650
Deferred outflows related to OPEB	4,287	2,640	2,887	2,639	12,453
Total deferred outflows of resources	<u>\$ 254,893</u>	<u>\$ 258,917</u>	<u>\$ 36,344</u>	<u>\$ 40,006</u>	<u>\$ 590,160</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 64,149	\$ 391,599	\$ 60,826	\$ 49,489	\$ 566,063
Deposits	449,735	-	-	-	449,735
Unearned revenue	145,311	-	-	-	145,311
Compensated absences	10,050	2,754	3,535	3,187	19,526
Payable from restricted assets:					
Current maturities on long-term debt	396,498	800,927	129,668	-	1,327,093
Accrued interest payable	34,019	50,437	-	-	84,456
Total current liabilities	<u>1,099,762</u>	<u>1,245,717</u>	<u>194,029</u>	<u>52,676</u>	<u>2,592,184</u>
Noncurrent liabilities:					
Bonds and notes payable, net	6,108,738	12,491,104	4,732,532	-	23,332,374
Compensated absences	56,952	15,605	20,033	18,060	110,650
Total OPEB liability	35,711	21,990	24,053	21,983	103,737
Net pension liability	272,269	203,796	127,598	142,512	746,175
Total noncurrent liabilities	<u>6,473,670</u>	<u>12,732,495</u>	<u>4,904,216</u>	<u>182,555</u>	<u>24,292,936</u>
Total liabilities	<u>\$ 7,573,432</u>	<u>\$ 13,978,212</u>	<u>\$ 5,098,245</u>	<u>\$ 235,231</u>	<u>\$ 26,885,120</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	\$ 56,767	\$ 42,490	\$ 26,604	\$ 29,713	\$ 155,574
Deferred inflows related to OPEB	2,621	1,614	1,765	1,612	7,612
Total deferred inflows of resources	<u>\$ 59,388</u>	<u>\$ 44,104</u>	<u>\$ 28,369</u>	<u>\$ 31,325</u>	<u>\$ 163,186</u>
NET POSITION					
Net investment in capital assets	\$ 9,776,038	\$ 11,429,534	\$ 3,832,143	\$ 597,096	\$ 25,634,811
Restricted for debt service	344,414	823,905	-	-	1,168,319
Restricted for capital expansion	841,331	2,621,920	724,979	-	4,188,230
Unrestricted	5,216,279	767,417	255,307	3,542,717	9,781,720
Total net position	<u>\$ 16,178,062</u>	<u>\$ 15,642,776</u>	<u>\$ 4,812,429</u>	<u>\$ 4,139,813</u>	<u>\$ 40,773,080</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, 2020

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Stormwater	Sanitation	
Operating revenues					
Charges for services	\$ 3,977,963	\$ 3,298,976	\$ 392,176	\$ 2,620,787	\$ 10,289,902
Other revenues	41,129	5,611	-	-	46,740
Total operating revenues	<u>4,019,092</u>	<u>3,304,587</u>	<u>392,176</u>	<u>2,620,787</u>	<u>10,336,642</u>
Operating expenses					
Personal services	907,747	534,001	602,040	443,792	2,487,580
Operating expenses	1,702,751	1,302,919	658,176	2,029,518	5,693,364
Depreciation	554,715	1,096,000	310,283	176,049	2,137,047
Total operating expenses	<u>3,165,213</u>	<u>2,932,920</u>	<u>1,570,499</u>	<u>2,649,359</u>	<u>10,317,991</u>
Operating income (loss)	<u>853,879</u>	<u>371,667</u>	<u>(1,178,323)</u>	<u>(28,572)</u>	<u>18,651</u>
Nonoperating revenues (expenses)					
Interest earnings	48,820	32,843	8,668	25,700	116,031
Intergovernmental grants	702,645	-	-	-	702,645
Gain (loss) on disposition of capital assets	-	(52,550)	-	-	(52,550)
Interest and amortization expense	(131,408)	(232,636)	(102,715)	-	(466,759)
Total nonoperating revenues (expenses)	<u>620,057</u>	<u>(252,343)</u>	<u>(94,047)</u>	<u>25,700</u>	<u>299,367</u>
Income (loss) before contributions and transfers	<u>1,473,936</u>	<u>119,324</u>	<u>(1,272,370)</u>	<u>(2,872)</u>	<u>318,018</u>
Capital contributions	214,621	599,032	137,041	-	950,694
Transfers in	-	-	1,444,184	-	1,444,184
Transfers out	(1,444,184)	-	-	-	(1,444,184)
Change in net position	<u>244,373</u>	<u>718,356</u>	<u>308,855</u>	<u>(2,872)</u>	<u>1,268,712</u>
Net position, beginning of year, as restated	15,933,689	14,924,420	4,503,574	4,142,685	39,504,368
Net position, end of year	<u>\$ 16,178,062</u>	<u>\$ 15,642,776</u>	<u>\$ 4,812,429</u>	<u>\$ 4,139,813</u>	<u>\$ 40,773,080</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, 2020

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Stormwater	Sanitation	
Cash flows from operating activities					
Cash received from customers	\$ 4,083,759	\$ 3,421,236	\$ 914,728	\$ 2,576,872	\$ 10,996,595
Cash paid to employees	(966,487)	(594,995)	(563,000)	(456,072)	(2,580,554)
Cash paid to suppliers	(1,659,895)	(3,616,878)	(826,240)	(2,064,857)	(8,167,870)
Net cash provided by (used in) operating activities	<u>1,457,377</u>	<u>(790,637)</u>	<u>(474,512)</u>	<u>55,943</u>	<u>248,171</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	1,444,184	-	1,444,184
Transfers to other funds	(1,444,184)	-	-	-	(1,444,184)
Intergovernmental grant proceeds	702,645	-	-	-	702,645
Interfund loans	(143,299)	-	(24,001)	-	(167,300)
Net cash provided by (used in) noncapital financing activities	<u>(884,838)</u>	<u>-</u>	<u>1,420,183</u>	<u>-</u>	<u>535,345</u>
Cash flows from capital and related financing activities					
Impact fees	214,621	599,032	137,041	-	950,694
Acquisition and construction of capital assets	(2,057,888)	-	(307,743)	(1,146)	(2,366,777)
Principal payments of long-term debt	(589,610)	(1,300,593)	(94,636)	-	(1,984,839)
Proceeds from issuance of long-term debt	1,008,071	1,956,820	-	-	2,964,891
Interest paid	(125,532)	(92,804)	(102,715)	-	(321,051)
Net cash provided by (used in) capital and related financing activities	<u>(1,550,338)</u>	<u>1,162,455</u>	<u>(368,053)</u>	<u>(1,146)</u>	<u>(757,082)</u>
Cash flows from investing activities					
Interest received	48,820	32,843	8,668	25,700	116,031
Net change in cash and cash equivalents	<u>(928,979)</u>	<u>404,661</u>	<u>586,286</u>	<u>80,497</u>	<u>142,465</u>
Cash and cash equivalents, beginning of year	7,473,705	4,022,577	582,543	3,476,680	15,555,505
Cash and cash equivalents, end of year	<u>\$ 6,544,726</u>	<u>\$ 4,427,238</u>	<u>\$ 1,168,829</u>	<u>\$ 3,557,177</u>	<u>\$ 15,697,970</u>
Cash and cash equivalents classified as:					
Unrestricted	\$ 5,324,962	\$ 930,976	\$ 443,850	\$ 3,557,177	\$ 10,256,965
Restricted	1,219,764	3,496,262	724,979	-	5,441,005
Total cash and cash equivalents	<u>\$ 6,544,726</u>	<u>\$ 4,427,238</u>	<u>\$ 1,168,829</u>	<u>\$ 3,557,177</u>	<u>\$ 15,697,970</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 853,879	\$ 371,667	\$ (1,178,323)	\$ (28,572)	\$ 18,651
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	554,715	1,096,000	310,283	176,049	2,137,047
Changes in assets and liabilities:					
Accounts receivable	(105,304)	(113,328)	522,552	(43,915)	260,005
Due from other governments	64,701	256,108	-	-	320,809
Notes receivable	-	9,042	-	-	9,042
Inventories	9,286	-	-	(210)	9,076
Prepaid items	1,020	3,147	-	-	4,167
Accounts payable and accrued liabilities	32,550	(2,317,106)	(168,064)	(35,129)	(2,487,749)
Deposits	105,270	-	-	-	105,270
Unearned revenue	-	(35,173)	-	-	(35,173)
Compensated absences	5,987	(1,079)	5,679	3,494	14,081
Net pension liability	(68,827)	(57,087)	26,434	(14,385)	(113,865)
Total OPEB liability	4,100	(2,828)	6,927	(1,389)	6,810
Net cash provided by (used in) operating activities	<u>\$ 1,457,377</u>	<u>\$ (790,637)</u>	<u>\$ (474,512)</u>	<u>\$ 55,943</u>	<u>\$ 248,171</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, 2020**

	Pension Trust Funds
ASSETS	
Cash and cash equivalents with trustee	\$ 429,281
Receivables	
Interest and dividends receivable	39,704
Investments, at fair value	
U.S. Treasury obligations	3,171,684
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	37,783,597
Total assets	\$ 38,252,582
LIABILITIES	
Accounts payable	\$ 9,383
Total liabilities	\$ 9,383
NET POSITION	
Restricted for pensions	\$ 38,243,199

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, 2020**

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,035,946
Plan members	364,769
State - insurance premium taxes	255,044
Total contributions	1,655,759
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	3,174,000
Interest and dividends	864,750
Total investment earnings	4,038,750
Less: investment expense	(150,262)
Net investment income (loss)	3,888,488
Total additions	5,544,247
Deductions	
Benefit payments and refunds	2,263,400
Administrative expenses	106,932
Total deductions	2,370,332
Change in net position	3,173,915
Net position restricted for pensions, beginning of year	35,069,284
Net position restricted for pensions, end of year	\$ 38,243,199

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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, 2020

(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, 2020

(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, 2020

(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, 2020

(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 threshold of \$5,000 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, 2020

(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	50 years
Improvements	50 years
Machinery and equipment	5 – 15 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 City Commission or by an official or body which the City Commission 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, 2020

(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.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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, 2020, the carrying amount of the City’s deposits was \$25,994,177. 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.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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, 2020, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at fair value				
U.S. Treasury obligations	\$ 3,171,684	-	\$ 3,171,684	-
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>\$ 37,783,597</u>	<u>\$ 29,835,190</u>	<u>\$ 4,448,308</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, 2020.

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, 2020, 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, 2020, the investment portfolios met the foreign securities limitations.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(4) Accounts Receivable:

The City's receivables consisted of the following at September 30, 2020:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund	\$ 288,008	\$ -	\$ 288,008
Disaster Recovery Fund	457,552	-	457,552
Total – Governmental Activities	<u>745,560</u>	<u>-</u>	<u>745,560</u>
Business-Type Activities:			
Water Fund	415,155	(73,204)	341,951
Sanitation Fund	259,297	(49,983)	209,314
Stormwater Fund	49,192	(9,665)	39,527
Sewer Fund	404,455	(69,337)	335,118
Totals – Business-Type Activities	<u>1,128,099</u>	<u>(202,189)</u>	<u>925,910</u>
Totals	<u>\$ 1,873,659</u>	<u>\$ (202,189)</u>	<u>\$ 1,671,470</u>

In addition to accounts receivable, the City also recorded \$3,793,781 in due from other governments at September 30, 2020, of which part consists of \$252,858 of Federal and State reimbursements related to Hurricane Michael which impacted the City in early fiscal year 2019, and \$1,648,548 of USDA Emergency Watershed Protection Grant Funds issued February 2020. 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, 2020, the City did not have individual fund interfund receivables and payables for the primary government.

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.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

For the year ended September 30, 2020, 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	\$ 295,708	\$ -
Debt Service Fund:		
General Fund	-	295,708
	295,708	295,708
Business-type Activities:		
Water Fund:		
Stormwater Fund	-	1,444,184
Stormwater Fund:		
Water Fund	1,444,184	-
	1,444,184	1,444,184
Totals – All Funds	\$ 1,739,892	\$ 1,739,892

(6) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2020, is as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,792,060	\$ 120,182	\$ -	\$ 2,912,242
Construction in progress	667,721	3,949,774	-	4,617,495
Total assets not being depreciated	3,459,781	4,069,956	-	7,529,737
Capital assets being depreciated:				
Buildings	3,980,306	411,846	(111,384)	4,280,768
Improvements	30,216,822	4,240,014	(80,487)	34,376,349
Machinery and equipment	7,417,064	1,464,937	(132,312)	8,749,689
Total assets being depreciated	41,614,192	6,116,797	(324,183)	47,406,806
Less: accumulated depreciation	(13,123,360)	(1,960,980)	202,349	(14,881,991)
Total capital assets being depreciated, net	28,490,832	4,155,817	(121,834)	32,524,815
Governmental activities capital assets, net	\$ 31,950,613	\$ 8,225,773	\$ (121,834)	\$ 40,054,552

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(6) **Capital Assets:** (Continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,360,795	\$ -	\$ (46,964)	\$ 1,313,831
Construction in progress	<u>11,618,608</u>	<u>4,202,138</u>	<u>(1,168,815)</u>	<u>14,651,931</u>
Total assets not being depreciated	<u>12,979,403</u>	<u>4,202,138</u>	<u>(1,215,779)</u>	<u>15,965,762</u>
Capital assets being depreciated:				
Buildings	1,276,989	50,258	(10,000)	1,317,247
Improvements	53,653,636	1,855,882	(11,184)	55,498,334
Machinery and equipment	<u>6,236,260</u>	<u>122,980</u>	<u>-</u>	<u>6,359,240</u>
Total assets being depreciated	61,166,885	2,029,120	(21,184)	63,174,821
Less: accumulated depreciation	<u>(27,106,914)</u>	<u>(2,137,047)</u>	<u>15,599</u>	<u>(29,228,362)</u>
Total capital assets being depreciated, net	<u>34,059,971</u>	<u>(107,927)</u>	<u>(5,585)</u>	<u>33,946,459</u>
Business-type activities capital assets, net	<u>\$ 47,039,374</u>	<u>\$ 4,094,211</u>	<u>\$ (1,221,364)</u>	<u>\$ 49,912,221</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government		\$ 323,791
Public safety		394,043
Public works		849,075
Economic environment		89,844
Culture and recreation		<u>304,227</u>
Total depreciation expense - governmental activities		<u>\$ 1,960,980</u>
Business-type activities:		
Water		\$ 554,715
Sewer		1,096,000
Stormwater		310,283
Sanitation		<u>176,049</u>
Total depreciation expense - business-type activities		<u>\$ 2,137,047</u>

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

Long-term liability activity for the year ended September 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds and notes payable	\$ 41,418,780	\$ 5,137,333	\$ (2,328,871)	\$ 44,227,242	\$ 3,117,756
Compensated absences	<u>401,067</u>	<u>767,898</u>	<u>(699,943)</u>	<u>469,022</u>	<u>65,663</u>
Total long-term liabilities	<u>\$ 41,819,847</u>	<u>\$ 5,905,231</u>	<u>\$ (3,028,814)</u>	<u>\$ 44,696,264</u>	<u>\$ 3,183,419</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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>
Business-type activities:					
Bonds payable	\$ 11,599,220	\$ -	\$ (1,710,810)	\$ 9,888,410	\$ 685,810
Discounts / premiums	237,530	-	(24,304)	213,226	-
Net bonds payable	<u>11,836,750</u>	<u>-</u>	<u>(1,735,114)</u>	<u>10,101,636</u>	<u>685,810</u>
Notes payable	10,417,509	4,320,255	(179,933)	14,557,831	641,283
Compensated absences	116,095	240,677	(226,596)	130,176	19,526
Total long-term liabilities	<u>\$ 22,370,354</u>	<u>\$ 4,560,932</u>	<u>\$ (2,141,643)</u>	<u>\$ 24,789,643</u>	<u>\$ 1,346,619</u>

Bonds and notes payable in the City's governmental activities at September 30, 2020, 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, 2020, was \$1,156,590.

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, 2020, was \$2,764,000.

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, 2020, was \$3,462,319.

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, 2020, was \$31,810,000.

Community Disaster Loan, issued for the purpose of financing and reimbursing the City for lost revenue due to damage caused by Hurricane Michael. The stated interest rate is 0.375% and the note matures in May 2025. Note payment of interest and principal due at date of maturity. The outstanding balance at September 30, 2020, was \$5,000,000.

In February 2020, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$1,000,000 loan for emergency work related to damage caused by Hurricane Michael. at an interest rate of 1.29% per year for 20 years. The first semi-annual payment is due July 15, 2020. \$750,000 was forgiven during the year-end 2020 as part of the loan agreement. The loan is collateralized by the pledged revenues of the water and sewer system. The outstanding balance at September 30, 2020, was \$34,333.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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
2021	\$ 3,117,756	\$ 1,014,134	\$ 4,131,890
2022	3,214,712	929,508	4,144,220
2023	3,293,085	842,610	4,135,695
2024	3,356,840	774,105	4,130,945
2025	8,423,840	703,965	9,127,805
2026-2030	12,561,009	2,445,402	15,006,411
2031-2034	10,260,000	767,838	11,027,838
Total	<u>\$ 44,227,242</u>	<u>\$ 7,477,562</u>	<u>\$ 51,704,804</u>

Bonds payable in the City's business-type activities at September 30, 2020, 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. There was no outstanding balance as of September 30, 2020.

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, 2020, was \$2,375,000.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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, 2020, was \$1,535,000.

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, 2020, was \$1,558,410.

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, 2020, was \$4,420,000.

Notes payable in the City's business-type activities at September 30, 2020, 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, 2020, was \$3,188,789.

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, 2020, was \$6,506,842.

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, 2020, was \$4,862,200.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2021	\$ 1,327,093	\$ 479,913	\$ 1,807,006
2022	1,353,473	458,219	1,811,692
2023	1,378,610	434,083	1,812,693
2024	1,411,743	408,841	1,820,584
2025	1,434,263	381,590	1,815,853
2026-2030	7,179,309	1,456,848	8,636,157
2031-2035	6,211,896	693,693	6,905,589
2036-2040	2,626,799	278,406	2,905,205
2041-2045	1,136,231	125,036	1,261,267
2046-2049	386,824	8,362	395,186
Total	<u>\$ 24,446,241</u>	<u>\$ 4,724,991</u>	<u>\$ 29,171,232</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, 2020. 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.

Subsequent to September 30, 2020, 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. 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 March 23, 2021, management believes that a material impact on the City’s financial position and results of future operations is reasonably possible.

(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, 2020

(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, 2019, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Employees	160
Inactive Employees	5
	165
	165

Total OPEB Liability—The City’s total OPEB liability of \$433,872 was measured as of September 30, 2019, and was determined by an actuarial valuation as of September 30, 2019.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2020, 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	3.58%
Healthcare cost trend rate	7.5%
	Ultimate rate reached in 2075 4.0%

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices.

All mortality rates are projected generationally with mortality Improvements Scale MP-2018. The mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. The rates are those outlined in Milliman’s July 1, 2019, FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

For the fiscal year ended September 30, 2020, changes in the total OPEB liability were as follows:

Balance at September 30, 2019	\$ 377,813
Changes for a year:	
Service cost	28,852
Interest	16,800
Differences between expected and actual experience	(8,117)
Changes of assumptions	28,165
Benefit payments – implicit rate subsidy	(9,641)
Net changes	<u>56,059</u>
Balance at September 30, 2020	<u>\$ 433,872</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 3.58%, 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	\$ 470,483	\$ 433,872	\$ 401,157

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%-6.50%) or 1% higher (5.00%-8.50%) than the current healthcare cost trend rates (4.00%-7.50%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 392,846	\$ 433,872	\$ 482,062

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$47,583. At September 30, 2020, 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>
Differences between expected and actual experience	\$ -	\$ 6,957
Contributions subsequent to measurement date	27,944	-
Changes of assumptions	24,141	24,878
Total	<u>\$ 52,085</u>	<u>\$ 31,835</u>

**CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Deferred outflows for contributions subsequent to the measurement date will be recognized in fiscal year 2021. 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>
2021	\$ (1,669)
2022	(1,669)
2023	(1,669)
2024	(1,669)
2025	(1,665)
Thereafter	647

(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, 2020

(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	19	7	47
Inactive plan members entitled to but not yet receiving benefits	16	3	40
Active participants	36	20	92
Total current membership	71	30	179

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, 2020

(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 8, 2018; June 7, 2017; and March 6, 2018; respectively.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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, 2020, contributions to the City's pension plans were as follows:

	Police Plan	Fire Plan	General Employees Plan	Total
Employee contributions	\$ 90,085	\$ 53,187	\$ 221,497	\$ 364,769
City contributions	117,112	173,792	745,042	1,035,946
State contributions	159,783	95,261	-	255,044
Total contributions	<u>\$ 366,980</u>	<u>\$ 322,240</u>	<u>\$ 966,539</u>	<u>\$ 1,655,759</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, 2020:

	Target Asset Allocation		
Asset Class	Police Plan	Fire Plan	General Employees Plan
Domestic equity	50%	55%	50%
International equity	14%	10%	14%
Broad Market Fixed Income	0%	20%	0%
Bonds	20%	0%	20%
Global Fixed Income	0%	5%	0%
TIPS	6%	0%	6%
Private real estate	10%	10%	10%

Net Pension Liability

The components of the net pension liability of the pension plans at September 30, 2020, were as follows:

	Police Plan	Fire Plan	General Employees Plan	Total
Total pension liability	\$ 9,670,504	\$ 8,324,948	\$ 21,654,732	\$ 39,650,184
Plan fiduciary net position	<u>(10,876,510)</u>	<u>(7,909,764)</u>	<u>(19,456,925)</u>	<u>(38,243,199)</u>
Net pension liability (asset)	<u>\$ (1,206,006)</u>	<u>\$ 415,184</u>	<u>\$ 2,197,807</u>	<u>\$ 1,406,985</u>
Plan fiduciary net position as percentage of total pension liability (asset)	112.47%	95.01%	89.85%	96.45%

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

The total pension liability was determined by an actuarial valuation as of October 1, 2019, and measurement date of September 30, 2020, 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	Service based
Investment rate of return	7.25%	7.25%	7.50%
Mortality table	MP-2018, projected	MP-2018, projected	MP-2018, projected

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, 2020, 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	8.5%	7.5%	8.5%
International equity	4.1%	8.5%	4.1%
Broad Market Fixed Income	N/A	2.5%	N/A
Bonds	3.7%	N/A	3.7%
Global Fixed Income	N/A	3.5%	N/A
TIPS	5.0%	N/A	6.4%
Private Real Estate	0.0%	4.5%	5.0%

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, 2020

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

Changes in net pension liability:

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

	Police Plan		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 8,964,131	\$ 9,346,187	\$ (382,056)
Changes for year:			-
Service cost	343,348	-	343,348
Interest	663,642	-	663,642
Differences between expected/actual experience	50,470	-	50,470
Change of assumption	82,940	-	82,940
Change in excess state money	(224,454)	-	(224,454)
Share plan allocation	259,346	-	259,346
Contributions - employer	-	117,112	(117,112)
Contributions - employee	-	90,085	(90,085)
Contributions - state	-	159,783	(159,783)
Net investment income	-	1,666,103	(1,666,103)
Benefit payments, including refunds	(468,919)	(468,919)	-
Administrative expenses	-	(33,841)	33,841
Net changes	<u>706,373</u>	<u>1,530,323</u>	<u>(823,950)</u>
Ending Balance	<u>\$ 9,670,504</u>	<u>\$ 10,876,510</u>	<u>\$ (1,206,006)</u>

	Fire Plan		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 7,565,673	\$ 7,139,375	\$ 426,298
Changes for year:			-
Service cost	214,465	-	214,465
Interest	556,161	-	556,161
Differences between expected/actual experience	311,990	-	311,990
Change of assumption	(108,054)	-	(108,054)
Share plan allocation	2,630	-	2,630
Contributions - employer	-	173,792	(173,792)
Contributions - employee	-	53,187	(53,187)
Contributions - state	-	95,261	(95,261)
Net investment income	-	700,117	(700,117)
Benefit payments, including refunds	(217,917)	(217,917)	-
Administrative expenses	-	(34,051)	34,051
Net changes	<u>759,275</u>	<u>770,389</u>	<u>(11,114)</u>
Ending Balance	<u>\$ 8,324,948</u>	<u>\$ 7,909,764</u>	<u>\$ 415,184</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

	General Plan		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 20,918,399	\$ 18,583,722	\$ 2,334,677
Changes for year:			
Service cost	626,056	-	626,056
Interest	1,556,713	-	1,556,713
Differences between expected/actual experience	178,695	-	178,695
Change of assumptions	(48,567)	-	(48,567)
Contributions - employer	-	745,042	(745,042)
Contributions - employee	-	221,497	(221,497)
Contributions - state	-	-	-
Net investment income	-	1,522,268	(1,522,268)
Benefit payments, including refunds	(1,576,564)	(1,576,564)	-
Administrative expenses	-	(39,040)	39,040
Net changes	<u>736,333</u>	<u>873,203</u>	<u>(136,870)</u>
Ending Balance	<u>\$ 21,654,732</u>	<u>\$ 19,456,925</u>	<u>\$ 2,197,807</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	7.25%	\$ (118,587)	\$ (1,206,006)	\$ (2,115,881)
Fire	7.25%	1,437,533	415,184	(426,091)
General Employees	7.50%	4,567,396	2,197,807	199,594
Total		<u>\$ 5,886,342</u>	<u>\$ 1,406,985</u>	<u>\$ (2,342,378)</u>

For the year ended September 30, 2020, 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	18.09%	9.82%	8.28%

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, 2020

(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, 2020, the City recognized pension expense of \$133,575, \$283,051 and \$534,769, in the Police, Fire, and General Employees, pension plans, respectively, for a total of \$951,395.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police Plan</u>		<u>Fire Plan</u>		<u>General Employees Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 50,358	\$ (78,561)	\$ 519,480	\$ (239,533)	\$ 134,022	\$ (417,724)
Changes of assumptions	112,518	-	199,640	(90,045)	-	(40,510)
Net different between projected and actual investment earnings	-	(521,954)	-	(103,639)	442,253	-
	<u>\$ 162,876</u>	<u>\$ (600,515)</u>	<u>\$ 719,120</u>	<u>\$ (433,217)</u>	<u>\$ 576,275</u>	<u>\$ (458,234)</u>

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:

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Employees Plan</u>
2021	\$ (98,562)	\$ 16,174	\$ 695
2022	(47,471)	66,039	54,288
2023	(97,560)	82,860	93,624
2024	(194,046)	50,897	(30,566)
2025	-	69,933	-
Thereafter	-	-	-

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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, 2020:

COMBINING SCHEDULE OF NET POSITION – FIDUCIARY FUNDS

	Police Plan	Fire Plan	General Plan	Total
ASSETS				
Cash and cash equivalents with trustee	\$ 104,373	\$ 113,042	\$ 211,866	\$ 429,281
Receivables				
Interest and dividends receivable	9,805	10,127	19,772	39,704
Investments, at fair value				
U.S. Treasury obligations	1,529,745	771,968	869,971	3,171,684
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	10,766,082	7,786,595	19,230,920	37,783,597
Total assets	<u>\$ 10,880,260</u>	<u>\$ 7,909,764</u>	<u>\$ 19,462,558</u>	<u>\$ 38,252,582</u>
LIABILITIES				
Accounts payable	\$ 3,750	\$ -	\$ 5,633	\$ 9,383
Total liabilities	<u>\$ 3,750</u>	<u>\$ -</u>	<u>\$ 5,633</u>	<u>\$ 9,383</u>
NET POSITION				
Restricted for pensions	<u>\$ 10,876,510</u>	<u>\$ 7,909,764</u>	<u>\$ 19,456,925</u>	<u>\$ 38,243,199</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(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>
Additions				
Contributions:				
Employer	\$ 117,112	\$ 173,792	\$ 745,042	\$ 1,035,946
Plan members	90,085	53,187	221,497	364,769
State - insurance premium taxes	159,783	95,261	-	255,044
Total contributions	<u>366,980</u>	<u>322,240</u>	<u>966,539</u>	<u>1,655,759</u>
Investment earnings:				
Net appreciation (depreciation) in fair value of investments	1,468,070	584,978	1,120,952	3,174,000
Interest and dividends	234,260	171,968	458,522	864,750
Total investment earnings	<u>1,702,330</u>	<u>756,946</u>	<u>1,579,474</u>	<u>4,038,750</u>
Less: investment expense	(36,227)	(56,829)	(57,206)	(150,262)
Net investment income (loss)	<u>1,666,103</u>	<u>700,117</u>	<u>1,522,268</u>	<u>3,888,488</u>
Total additions	<u>2,033,083</u>	<u>1,022,357</u>	<u>2,488,807</u>	<u>5,544,247</u>
Deductions				
Benefit payments and refunds	468,919	217,917	1,576,564	2,263,400
Administrative expenses	33,841	34,051	39,040	106,932
Total deductions	<u>502,760</u>	<u>251,968</u>	<u>1,615,604</u>	<u>2,370,332</u>
Change in net position	<u>1,530,323</u>	<u>770,389</u>	<u>873,203</u>	<u>3,173,915</u>
Net position restricted for pensions, beginning of year	9,346,187	7,139,375	18,583,722	35,069,284
Net position restricted for pensions, end of year	<u>\$ 10,876,510</u>	<u>\$ 7,909,764</u>	<u>\$ 19,456,925</u>	<u>\$ 38,243,199</u>

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

Subsequent to issuance of the September 30, 2019, financial statements, management became aware of the following errors: understatement of Stormwater fund note payable due to a subsequent contract change order, and understatement of Disaster Recovery fund grants receivable due to improper cutoff recorded in the prior period. The net effect of these adjustments on beginning fund balance and net position were as follows:

	<u>Fund Balance</u>	<u>Net Position</u>		
	<u>Disaster Recovery Fund</u>	<u>Governmental Activities</u>	<u>Stormwater</u>	<u>Business-type Activities</u>
Net position / fund balance – 9/30/19, originally reported	\$ 22,632,972	\$ 24,170,106	\$ 5,953,574	\$ 40,954,368
Note payable adjustment	-	-	(1,450,000)	(1,450,000)
Grant receivable cutoff	4,105,003	4,105,003	-	-
Net position / fund balance – 9/30/19, as restated	<u>\$ 26,737,975</u>	<u>\$ 28,275,109</u>	<u>\$ 4,503,574</u>	<u>\$ 39,504,368</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) 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.
- (d) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

(14) 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, 2020, 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 the four 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. In August 2020, the former Mayor and City Attorney were indicted in connection with this case. In March 2021, an additional former City Commissioner and the president of a major vendor of the City were also indicted.

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,193,838	\$ 7,243,838	\$ 8,456,992	\$ 1,213,154
Permits and fees	2,526,600	2,246,600	2,339,729	93,129
Intergovernmental	4,876,225	8,576,225	4,447,612	(4,128,613)
Charges for services	2,179,633	2,073,433	2,103,673	30,240
Fines and forfeitures	71,700	49,700	91,140	41,440
Investment income	181,000	116,000	99,901	(16,099)
Miscellaneous	157,500	148,150	256,254	108,104
Total revenues	<u>18,186,496</u>	<u>20,453,946</u>	<u>17,795,301</u>	<u>(2,658,645)</u>
Expenditures				
Current:				
General government	3,582,044	3,185,310	2,603,410	581,900
Planning and code enforcement	822,138	906,794	997,753	(90,959)
Public safety	5,729,808	6,023,156	6,072,776	(49,620)
Transportation	1,334,451	1,333,349	1,067,731	265,618
Economic environment	96,473	89,473	81,766	7,707
Culture and recreation	2,568,929	2,034,517	1,330,304	704,213
Disaster recovery	-	-	25,653	(25,653)
Capital outlay	4,049,464	4,386,150	4,001,051	385,099
Total expenditures	<u>19,552,649</u>	<u>19,328,091</u>	<u>18,608,517</u>	<u>719,574</u>
Excess (deficiency) of revenues over expenditures	<u>(1,366,153)</u>	<u>1,125,855</u>	<u>(813,216)</u>	<u>(1,939,071)</u>
Other financing sources (uses)				
Transfers in	-	-	295,708	295,708
Proceeds from sale of capital assets	10,000	-	53,754	53,754
Proceeds from insurance recoveries	-	-	111,948	111,948
Issuance of long-term debt	-	5,000,000	5,000,000	-
Total other financing sources (uses)	<u>10,000</u>	<u>5,000,000</u>	<u>5,461,410</u>	<u>461,410</u>
Net change in fund balances	<u>(1,356,153)</u>	<u>6,125,855</u>	<u>4,648,194</u>	<u>(1,477,661)</u>
Fund balances, beginning of year, as restated	11,983,932	11,983,932	11,983,932	-
Fund balances, end of year	<u>\$ 10,627,779</u>	<u>\$ 18,109,787</u>	<u>\$ 16,632,126</u>	<u>\$ (1,477,661)</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 276,864	\$ 276,864	\$ 272,512	\$ (4,352)
Investment income	5,400	5,400	4,047	(1,353)
Total revenues	<u>282,264</u>	<u>282,264</u>	<u>276,559</u>	<u>(5,705)</u>
Expenditures				
Current:				
Economic environment	355,174	354,614	148,572	206,042
Capital outlay	150,000	150,560	197,407	(46,847)
Total expenditures	<u>505,174</u>	<u>505,174</u>	<u>345,979</u>	<u>159,195</u>
Net change in fund balances	<u>(222,910)</u>	<u>(222,910)</u>	<u>(69,420)</u>	<u>153,490</u>
Fund balances, beginning of year	517,982	517,982	517,982	-
Fund balances, end of year	<u>\$ 295,072</u>	<u>\$ 295,072</u>	<u>\$ 448,562</u>	<u>\$ 153,490</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 60,545,850	\$ 23,591,493	\$ 8,111,596	\$ (15,479,897)
Charges for services	10,000	-	-	-
Investment income	180,000	140,000	140,589	589
Miscellaneous	500	7,500	7,500	-
Total revenues	<u>60,736,350</u>	<u>23,738,993</u>	<u>8,259,685</u>	<u>(15,479,308)</u>
Expenditures				
Current:				
Disaster recovery	42,765,597	16,273,042	5,600,881	10,672,161
Capital outlay	24,733,000	11,420,109	5,911,486	5,508,623
Debt service:				
Principal retirement	804,396	-	-	-
Interest and fiscal charges	-	804,396	808,436	(4,040)
Other charges	750	750	-	750
Bond issuance costs	-	8,000	-	8,000
Total expenditures	<u>68,303,743</u>	<u>28,506,297</u>	<u>12,320,803</u>	<u>16,185,494</u>
Excess (deficiency) of revenues over expenditures	<u>(7,567,393)</u>	<u>(4,767,304)</u>	<u>(4,061,118)</u>	<u>706,186</u>
Other financing sources (uses)				
Proceeds from insurance recovery	7,567,393	4,013,895	1,049,790	(2,964,105)
Issuance of long-term debt	-	-	137,333	137,333
Total other financing sources (uses)	<u>7,567,393</u>	<u>4,013,895</u>	<u>1,187,123</u>	<u>(2,826,772)</u>
Net change in fund balances	<u>-</u>	<u>(753,409)</u>	<u>(2,873,995)</u>	<u>(2,120,586)</u>
Fund balances, beginning of year, as restated	26,737,975	26,737,975	26,737,975	-
Fund balances, end of year	<u>\$ 26,737,975</u>	<u>\$ 25,984,566</u>	<u>\$ 23,863,980</u>	<u>\$ (2,120,586)</u>

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

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 28,852	\$ 29,919	\$ 31,264
Interest	16,800	14,049	11,375
Difference between expected and actual experience	(8,117)	-	-
Changes of assumptions	28,165	(17,715)	(18,548)
Benefit payments - implicit rate subsidy	(9,641)	(8,886)	(8,171)
Net change in total OPEB liability	56,059	17,367	15,920
Total OPEB liability - beginning of year	377,813	360,446	344,526
Total OPEB liability - end of year	\$ 433,872	\$ 377,813	\$ 360,446
Covered payroll	\$ 6,309,403	\$ 6,413,679	\$ 6,041,521
Total OPEB liability as a percentage of covered payroll	6.88%	5.89%	5.97%

Notes to Schedule:

Valuation date:	9/30/2019	9/30/2017	9/30/2017
Measurement date:	9/30/2019	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:

3.58%	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, 2020
(UNAUDITED)

Fiscal Year Ending September 30,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 343,348	\$ 291,738	\$ 292,982	\$ 291,017	\$ 283,018	\$ 309,736	\$ 288,702
Interest	663,642	622,351	620,208	597,635	564,143	526,808	481,522
Change in excess state money	(224,454)	33,232	27,951	20,749	25,295	26,971	23,122
Share plan allocation	259,346	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-
Difference between actual and expected experience	50,470	25,008	(139,696)	(218,184)	(331,547)	(91,536)	-
Changes of assumptions	82,940	-	201,250	-	192,001	-	-
Benefit payments including refunds of contributions	(468,919)	(411,401)	(444,770)	(335,766)	(258,147)	(245,073)	(205,289)
Net change in total pension liability	706,373	560,928	557,925	355,451	474,763	526,906	588,057
Total pension liability - beginning	8,964,131	8,403,203	7,845,278	7,489,827	7,015,064	6,488,158	5,900,101
Total pension liability - ending (a)	<u>\$ 9,670,504</u>	<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>
Total Fiduciary Net Position							
Contributions - employer	\$ 117,112	\$ 146,262	\$ 141,741	\$ 118,040	\$ 193,200	\$ 195,344	\$ 196,175
Contributions - state	159,783	156,463	145,902	131,498	140,590	117,198	113,349
Contributions - employee	90,085	88,027	74,601	62,126	62,391	64,089	68,969
Net investment income	1,666,103	360,191	471,140	751,774	654,947	(50,536)	571,109
Benefit payments, including refunds of contributions	(468,919)	(411,401)	(444,770)	(335,766)	(258,147)	(245,073)	(205,289)
Administrative expense	(33,841)	(30,204)	(44,223)	(33,448)	(17,500)	(23,874)	(22,490)
Net change in plan fiduciary net position	1,530,323	309,338	344,391	694,224	775,481	57,148	721,823
Plan fiduciary net position - beginning	9,346,187	9,036,849	8,692,458	7,998,234	7,222,753	7,165,605	6,443,782
Plan fiduciary net position - ending (b)	<u>\$ 10,876,510</u>	<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>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (1,206,006)</u>	<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	112.47%	104.26%	107.54%	110.80%	106.79%	102.96%	110.44%
Covered payroll	\$ 1,801,862	\$ 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	-66.93%	-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, 2020
(UNAUDITED)

Fiscal Year Ending September 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability							
Service cost	\$ 214,465	\$ 216,588	\$ 187,963	\$ 214,294	\$ 202,696	\$ 189,512	\$ 191,324
Interest	556,161	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	2,630	-	-	581,215	-	-	-
Changes in benefit terms	-	(483)	-	-	-	-	-
Difference between actual and expected experience	311,990	251,609	159,539	(404,891)	(92,891)	(74,169)	-
Changes of assumptions	(108,054)	-	-	211,236	245,505	-	-
Benefit payments including refunds of contributions	(217,917)	(297,697)	(175,605)	(173,914)	(191,309)	(167,618)	(152,334)
Net change in total pension liability	759,275	674,503	632,884	275,236	566,949	374,067	441,884
Total pension liability - beginning	7,565,673	6,891,170	6,258,286	5,983,050	5,416,101	5,042,034	4,600,150
Total pension liability - ending (a)	<u>\$ 8,324,948</u>	<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>
Total Fiduciary Net Position							
Contributions - employer	\$ 173,792	\$ 155,695	\$ 64,246	\$ 85,694	\$ 179,059	\$ 175,202	\$ 191,373
Contributions - state	95,261	87,729	76,493	72,877	104,062	98,068	104,243
Contributions - employee	53,187	55,243	51,084	46,004	39,616	40,940	41,786
Net investment income	700,117	291,181	543,931	688,348	263,560	(32,874)	509,709
Benefit payments, including refunds of contributions	(217,917)	(297,697)	(175,605)	(173,914)	(191,309)	(167,618)	(152,334)
Administrative expense	(34,051)	(31,169)	(31,788)	(36,876)	(25,141)	(20,389)	(12,167)
Net change in plan fiduciary net position	770,389	260,982	528,361	682,133	369,847	93,329	682,610
Plan fiduciary net position - beginning	7,139,375	6,878,393	6,350,032	5,667,899	5,298,052	5,204,723	4,522,113
Plan fiduciary net position - ending (b)	<u>\$ 7,909,764</u>	<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>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 415,184</u>	<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	95.01%	94.37%	99.81%	101.47%	94.73%	97.82%	103.23%
Covered payroll	\$ 1,063,734	\$ 1,104,869	\$ 1,021,678	\$ 920,087	\$ 792,315	\$ 826,871	\$ 835,712
Net pension liability as a percentage of covered payroll	39.03%	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, 2020
(UNAUDITED)

Fiscal Year Ending September 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability							
Service cost	\$ 626,056	\$ 637,599	\$ 673,135	\$ 623,575	\$ 600,171	\$ 623,863	\$ 676,486
Interest	1,556,713	1,533,656	1,601,695	1,535,793	1,443,346	1,378,512	1,279,098
Difference between actual and expected experience	178,695	(326,079)	(555,192)	(257,496)	(350,889)	(268,672)	-
Changes of assumptions	(48,567)	-	(10,211)	-	438,382	-	-
Benefit payments including refunds of contributions	<u>(1,576,564)</u>	<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	736,333	369,323	692,619	663,368	1,371,858	693,674	1,675,047
Total pension liability - beginning	<u>20,918,399</u>	<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>
Total pension liability - ending (a)	<u>\$ 21,654,732</u>	<u>\$ 20,918,399</u>	<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>
Total Fiduciary Net Position							
Contributions - employer	\$ 745,042	\$ 752,407	\$ 861,267	\$ 793,327	\$ 887,944	\$ 834,900	\$ 816,608
Contributions - employee	221,497	199,258	179,027	165,681	162,257	163,518	184,927
Net investment income	1,522,268	586,457	1,034,593	1,560,376	1,348,632	(65,358)	1,156,984
Benefit payments, including refunds of contributions	(1,576,564)	(1,475,853)	(1,016,808)	(1,238,504)	(759,152)	(1,040,029)	(280,537)
Administrative expense	<u>(39,040)</u>	<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	873,203	25,565	998,869	1,247,939	1,611,500	(135,357)	1,858,236
Plan fiduciary net position - beginning	<u>18,583,722</u>	<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>
Plan fiduciary net position - ending (b)	<u>\$ 19,456,925</u>	<u>\$ 18,583,722</u>	<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>
Net pension liability - ending (a) - (b)	<u>\$ 2,197,807</u>	<u>\$ 2,334,677</u>	<u>\$ 1,990,919</u>	<u>\$ 2,297,169</u>	<u>\$ 2,881,740</u>	<u>\$ 3,121,382</u>	<u>\$ 2,292,351</u>
Plan fiduciary net position as a percentage of the total pension liability	89.85%	88.84%	90.31%	88.43%	84.99%	82.49%	86.62%
Covered payroll	\$ 4,429,931	\$ 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	49.61%	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, 2020
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 242,034	\$ 242,003	\$ 31	\$ 1,801,862	13.43%
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: 10/1/2018
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: Service Based, 4.0%-7.5%

Discount Rate: 7.25%

Investment Rate of Return: 7.25% per year compounded annually, net of investment related expenses.

Mortality: Healthy Active Lives:
Female: PubS.H-2010 (Below Median) for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 (Below Median) for Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

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.

Disability Rate Table:

Age	% Becoming Disabled During the Year
20	0.03%
25	0.03%
30	0.04%
35	0.05%
40	0.07%
45	0.10%
50	0.18%
55	0.36%
60	0.90%

Termination Rate Table:

Years of Service	Rate
0	15.00%
1	14.00%
2	13.00%
3	12.00%
4	11.00%
5	10.00%
6	9.00%
7	8.00%
8	7.00%
9	6.00%
10	5.00%
11	4.00%
12	3.00%
13	2.00%
14	1.00%
15+	0.50%

*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, 2020
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 282,652	\$ 266,422	\$ 16,230	\$ 1,063,734	25.05%
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: 10/1/2018

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%
Discount Rate: 7.25%
Investment Rate of Return: 7.25% per year compounded annually, net of investment related expenses.
Mortality: Healthy Active Lives:
Female: PubS.H-2010 for Employeees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 (Below Median) for Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

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, 2020
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 774,891	\$ 745,042	\$ 29,849	\$ 4,429,931	16.82%
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: 10/1/2018
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: Service Based, 4.0%-7.5%
Discount Rate: 7.50%
Investment Rate of Return: 7.50%, compounded annually, net of investment related expenses
Mortality: Healthy Active Lives:
Female: PubG.H-2010 for Employees, set forward one year.
Male: PubG.H-2010 (Below Median) for Employees, set back one year.
Healthy Retiree Lives:
Female: PubG.H-2010 (Below Median) for Healthy Retirees.
Male: PubS.H-2010 for Healthy Retirees, set back one year.
Beneficiary Lives:
Female: PubG.H-2010 for Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
PubG.H-2010 for Disabled Retirees, set forward three years.
Retirement Age: Attainment of age 55 and completion of 10 years of service
Disability Rate Table:

Age	% Becoming Disabled During the Year
20	0.03%
30	0.04%
40	0.07%
50	0.18%
60	0.90%

Termination Rate Table:

Years of Service	Termination Probability
0	15.00%
1	14.00%
2	13.00%
3	12.00%
4	11.00%
5	10.00%
6	7.00%
7-9	4.00%
10	8.00%
11	7.00%
12	6.00%
13	5.00%
14	4.00%
15	3.00%
16+	2.00%

*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, 2020**

For the Year Ending September 30,	Police Plan	Fire Plan	General Employees Plan
2020	18.09%	9.82%	8.28%
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, 2020**

	Hurricane Michael Disaster Relief	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Equity in pooled cash and cash equivalents	\$ 3,565	\$ 15,779	\$ 19,344
Total assets	\$ 3,565	\$ 15,779	\$ 19,344
LIABILITIES			
Total liabilities	\$ -	\$ -	\$ -
FUND BALANCES			
Restricted for:			
Disaster recovery and relief	\$ 3,565	\$ -	\$ 3,565
Debt service	-	15,779	15,779
Total fund balances	3,565	15,779	19,344
Total liabilities and fund balances	\$ 3,565	\$ 15,779	\$ 19,344

**CITY OF LYNN HAVEN, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Hurricane Michael Disaster Relief	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Investment income	\$ 11	\$ 365	\$ 376
Miscellaneous	59,320	-	59,320
Total revenues	<u>59,331</u>	<u>365</u>	<u>59,696</u>
Expenditures			
Current:			
Disaster recovery	58,000	-	58,000
Debt service:			
Interest and fiscal charges	-	11,269	11,269
Total expenditures	<u>58,650</u>	<u>11,269</u>	<u>69,919</u>
Excess (deficiency) of revenues over expenditures	<u>681</u>	<u>(10,904)</u>	<u>(10,223)</u>
Other financing sources (uses)			
Transfers out	-	(295,708)	(295,708)
Net change in fund balances	<u>681</u>	<u>(306,612)</u>	<u>(305,931)</u>
Fund balances, beginning of year	2,884	322,391	325,275
Fund balances, end of year	<u>\$ 3,565</u>	<u>\$ 15,779</u>	<u>\$ 19,344</u>

CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<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>
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Direct:			
Emergency Watershed Protection Program	10.923	NR194209XXXXC002	\$ 7,007,261
<u>U.S. Department of Treasury</u>			
Indirect Programs:			
Pass-Through Bay County Board of County Commissioners Coronavirus Relief Fund	21.019		54,891
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015		445,672
Total U.S. Department of Treasury			<u>500,563</u>
<u>Department of Homeland Security / Federal Emergency Management Administration</u>			
Direct Programs:			
Community Disaster Loans	97.030	EMA-2020-LF-4399FL11	5,000,000
Indirect Programs:			
Pass-Through Florida Division of Emergency Management Disaster Grants - Public Assistance	97.036	Hurricane Michael	8,141,706
Total Department of Homeland Security / Federal Emergency Management Administration			<u>13,141,706</u>
Total Federal Awards			<u><u>\$ 20,649,530</u></u>
STATE FINANCIAL ASSISTANCE			
<u>State of Florida Department of Environmental Protection</u>			
Direct Programs:			
Drinking Water Facility Construction	37.076	DW030290	\$ 1,008,071
Drinking Water Facility Construction	37.076	DW0302C0	72,306
Total Drinking Water Facility Construction			<u>1,080,377</u>
Wastewater Treatment Facility Construction	37.077	WW030260	1,956,820
Wastewater Treatment Facility Construction	37.077	WW0302D0	137,054
Total Wastewater Treatment Facility Construction			<u>2,093,874</u>
Total Florida Department of Environmental Protection			<u>3,174,251</u>
<u>State of Florida Department of Transportation</u>			
Direct Programs:			
Local Transportation Projects	55.039	G1F54	978,657
Total State Financial Assistance			<u><u>\$ 4,152,908</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, 2020

(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, 2020, 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, 2020, only some of the City's PWs from these storms had been approved by FEMA. As a result, there are \$778,693 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, 2020**

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? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes 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)? yes none reported

Auditee qualified as a low-risk auditee? yes 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
10.923	Emergency Watershed Program
97.030	Community Disaster Loans

State Financial Assistance:

Internal control over major State projects:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes 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 X none reported

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Identification of major State programs:

CSFA Number	Program Name
37.077	Wastewater Treatment Facility Construction
55.039	Local Transportation Projects

B. Financial Statement Findings:

2020-001 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 entire year.

Cause: We noted the City's bank accounts were not reconciled on a timely basis over the course of the entire year, largely due to various turnover in the first part of fiscal year 2020.

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. The City was particularly at-risk for such issues in the first part of fiscal year 2020 when significant vacancies and turnover occurred related to the finance function.

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.

2020-002 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: Based on our audit procedures, 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 the ongoing nature of hurricane recovery activity and related items, both in terms of extensiveness and complexity.

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.

- C. **Federal Program Findings and Questioned Costs:** None.
- D. **State Project Findings and Questioned Costs:** None.
- E. **Summary Schedule of Prior Audit Findings:** See schedule of prior audit findings on page 81.
- F. **Corrective Action Plan:** See Management's Response to findings on page 82.

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 Pro Tem, 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, 2020. 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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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, 2020.

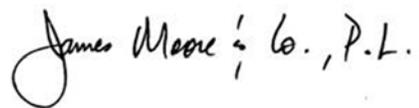
Report on Internal Control over Compliance

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance 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 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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Tallahassee, Florida
March 23, 2021

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 Pro Tem, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002, that we consider to be material weaknesses.

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Compliance and Other Matters

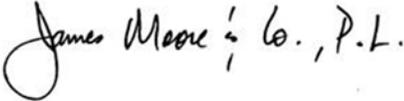
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

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.

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'.

Tallahassee, Florida
March 23, 2021

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

To the Honorable Mayor Pro Tem, 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, 2020, and have issued our report thereon dated March 23, 2021.

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 March 23, 2021, 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. Finding 2020-002 remains uncorrected from the second preceding audit. The following is a summary of prior year recommendations:

2019-001 Management Override and Segregation of Duties – Corrective action taken.

2019-002 Timeliness of Bank Reconciliation – Corrective action not taken. See repeat comment 2020-001.

2019-003 Reconciliation of Account Balances and Audit Adjustments – Corrective action not taken. See repeat comment 2020-002.

121 Executive Circle
Daytona Beach, FL 32114-1180
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133 East Indiana Avenue
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Telephone: 352-378-1331

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

2019-004 Journal Entry Controls – Corrective action taken.

2019-005 Purchasing Policy – Corrective action taken.

2019-006 Information Technology Matters – Corrective action taken.

2019-007 Allowable Costs – Disaster Grants – Public Assistance (CFDA#97.036) – Corrective action taken.

2019-008 Utility Charges – Corrective action taken.

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 no such other recommendations.

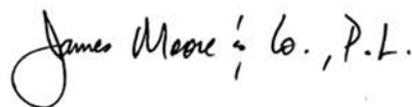
Additional Matters

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.

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.

Tallahassee, Florida
March 23, 2021



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

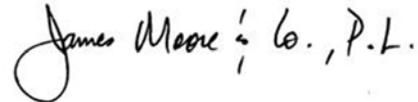
To the Honorable Mayor Pro Tem, City Commission, and City Manager,
City of Lynn Haven, Florida:

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, 2020. 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, 2020, 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, 2020.

Tallahassee, Florida
March 23, 2021



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DAN RUSSELL
MAYOR PRO TEM

VICKIE GAINER
CITY MANAGER

KEVIN OBOS
CITY ATTORNEY



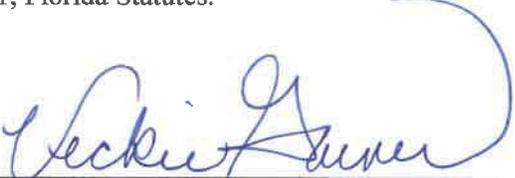
COMMISSIONERS
BRANDON ALDRIDGE
PAT PERNO
JUDY TINDER

AFFIDAVIT

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

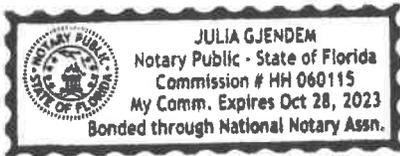
1. I am the Chief Financial Officer of The City of Lynn Haven which is a local governmental entity of the State of Florida;
2. The City of Lynn Haven adopted (Resolution Nos. 2018-07-716 and 2016-06-651) implementing impact fees; and
3. The City of Lynn Haven has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

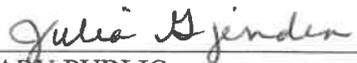
FURTHER AFFIANT SAYETH NAUGHT.


 Vickie Gainer, City Manager/Chief Financial Officer

STATE OF FLORIDA
COUNTY OF BAY

SWORN TO AND SUBSCRIBED before me this 27 day of March, 2021.




 NOTARY PUBLIC
 Print Name Julia Gjendem

Personally known or produced identification _____

Type of identification produced: _____

My Commission Expires: Oct 28, 2023

825 Ohio Avenue • Lynn Haven, FL 32444
(850) 265-2121

DANIELRUSSEL
MAYOR PRO TEM

VICKIE GAINER
CITY MANAGER

KEVIN OBOS
CITY ATTORNEY



COMMISSIONERS
BRANDON ALDRIDGE
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SCHEDULE OF PRIOR AUDIT FINDINGS

2019-001 Management Override and Segregation of Duties – Corrective action taken.

2019-002 Timeliness of Bank Reconciliations – Corrective action not taken. See repeat comment 2020-001.

2019-003 Reconciliation of Account Balances and Audit Adjustments – Corrective action not taken. See repeat comment 2020-002.

2019-004 Journal Entry Controls – Corrective action taken.

2019-005 Purchasing Policy – Corrective action taken.

2019-006 Information Technology Matters – Corrective action taken.

2019-007 Allowable Costs – Disaster Grants – Public Assistance (CFDA #97.036) – Corrective action taken.

2019-008 Utility Charges – Corrective action taken.

DANIELRUSSEL
MAYOR PRO TEM

VICKIE GAINER
CITY MANAGER

KEVIN OBOS
CITY ATTORNEY



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Management's Responses to Findings

2020-001 Timeliness of Bank Reconciliations

The City agrees that bank reconciliations must be done in a timely manner. This issue has been resolved and should not need to be addressed in the FY 2021 audit.

2020-002 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 and a new Staff Accountant was hired in the fall of 2020. Once the Staff Accountant is fully trained additional attention will be focused on balance sheet maintenance. The Deputy Finance Director and the Staff Accountant will work with the audit team to further develop procedures to assure compliance with generally accepted accounting principles.