

# City of Lynn Haven, Florida

## Financial Statements

September 30, 2014



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**City of Lynn Haven, Florida**  
**Table of Contents**  
**September 30, 2014**

<b>Independent Auditor’s Report</b>	1
<b>Management’s Discussion and Analysis</b>	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	11
Statement of Activities	13
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Net Position – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	26
Notes to Basic Financial Statements	27
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress for the Retiree’s Health Insurance Other Postemployment Benefits Plan	59
Schedule of Employer Contributions for the Retiree’s Health Insurance Other Postemployment Benefits Plan	59
Schedule of Changes in Net Pension Liability and Related Ratios – General Employees’ Retirement System – Last Two Fiscal Years	60
Schedule of Contributions – General Employees’ Retirement System – Last Two Fiscal Years	61
Schedule of Investment Returns – General Employees’ Retirement System – Last Two Fiscal Years	63

City of Lynn Haven, Florida  
Table of Contents  
September 30, 2014

**REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**

Schedule of Changes in Net Pension Liability and Related Ratios –  
Police Officers’ Retirement System – Last Two Fiscal Years 64

Schedule of Contributions – Police Officers’ Retirement System – Last Two Fiscal Years 65

Schedule of Investment Returns – Police Officers’ Retirement System – Last Two  
Fiscal Years 67

Schedule of Changes in Net Pension Liability and Related Ratios –  
Firefighters’ Retirement System – Last Two Fiscal Years 68

Schedule of Contributions – Firefighters’ Retirement System – Last Two Fiscal Years 69

Schedule of Investment Returns – Firefighters’ Retirement System – Last Two Fiscal Years 71

**COMBINING STATEMENTS**

Combining Balance Sheet – Nonmajor Governmental Funds 72

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –  
Nonmajor Governmental Funds 73

Combining Statement of Fiduciary Net Position – Fiduciary Funds 74

Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds 75

**COMPLIANCE SECTION**

Independent Auditor’s Management Letter 76

Independent Accountant’s Report 78

Independent Auditor’s report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards* 79



## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida (the City), as of and for the year ended September 30, 2014, 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**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the schedule of funding progress for the retiree's health insurance other postemployment benefits plan and schedule of employer contributions for the retiree's health insurance other postemployment benefits plan on page 59, and the pension related statements on pages 60 through 71 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 of Lynn Haven, Florida's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the City of Lynn Haven, Florida'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 of Lynn Haven, Florida's internal control over financial reporting and compliance.

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

Certified Public Accountants

Panama City Beach, Florida

March 3, 2015

## Management's Discussion and Analysis

Management's discussion and analysis provide an easily readable analysis of the City's financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

### Financial Highlights

- Total assets of the City exceeded total liabilities by \$46,224,804 (net position). Of this amount, \$709,271 is unrestricted net position for governmental activities and \$6,968,575 is unrestricted net position for business-type activities, while \$2,234,580 is restricted net position for governmental activities and \$2,043,241 is restricted net position for business-type activities. Total net position includes \$17,925,272 invested in capital assets (net of related debt) in the governmental activities and \$16,343,865 in the business-type activities.
- Total net position increased by \$1,151,912. Of this amount, \$(14,697) is attributable to governmental activities and \$1,166,609 is attributable to business-type activities.
- As of September 30, 2014, the general fund's unassigned fund balance was \$814,984 or 8% of total general fund expenditures.
- Governmental activities revenues and transfers decreased to \$10,312,932 or 10%, while governmental activities expenditures increased 4% to \$10,327,629. Business-type activities revenues and transfers increased to \$9,538,853 or 22%, while business-type activities expenditures decreased 4% to \$8,009,436.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) *Government-wide financial statements*, 2) *Fund financial statements*, and 3) *Notes to basic financial statements*. The *government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to basic financial statements* provide additional information concerning the City's finances that are not otherwise disclosed in the government-wide or fund financial statements.

### Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities and business-type activities, as well as the change in net position. Governmental activities are primarily supported by gross receipts taxes, utility taxes, franchise fees, and state shared revenues, while business-type activities are supported by charges to the users of activities, such as water, sewer, storm water and sanitation charges.

The *statement of net position* presents information on all assets and liabilities of the City, with the difference between the two reported as *net position*. Assets, liabilities and net position are reported separately for

governmental activities and business-type activities. Increases or decreases in net position over time may serve as a useful indicator of the City's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenditures of the City and the change in net position for the fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused vacation/sick leave).

Expenditures are reported by major function, along with program revenues relating to those functions, providing the net cost of all functions provided by the City. In order to better understand the City's operations, governmental activities expenditures include among others, general government services, public safety, highways and streets, and culture and recreation. Business-type activities expenses, which are financed by user fees and charges, include water, sewer, storm water, and sanitation services.

The government-wide financial statements include not only the City (known as the *primary government*), but also the following blended component units: The City of Lynn Haven Redevelopment Agency and Lynn Haven Main Street, Inc. Financial information for these component units are included in the City's financial information.

### ***Fund Financial Statements***

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

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

*Fund financial statements* for all governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. The City's general fund includes a statement of revenues, expenditures, and changes in fund balances-budget and actual. For the proprietary funds, a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows are presented. A statement of fiduciary net position and a statement of changes in fiduciary net position are presented for the City's fiduciary funds.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by governmental activities and business-type activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various activities, or functions provided by the City. All assets of the City, including buildings, land, and infrastructure are reported in the statement of net

position, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the City. The statement of activities includes depreciation on all long lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid doubling up the revenues and expenditures. The *fund financial statements* provide a presentation of the City's major funds, along with a column for all nonmajor funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

*Notes to basic financial statements* provide additional detail concerning the financial activities and financial balances of the City. Additional information about the accounting practices of the City, investments of the City, and long-term debt are just a few of the items included in the notes to basic financial statements.

### Government-wide financial analysis of the City

The following schedule provides a summary of the assets, liabilities and net position of the City. At the end of the fiscal years 2014 and 2013, the City is able to report positive balances in all three categories of net position, for the government as a whole, and for its governmental and business-type activities.

#### Net Position

September 30,	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other						
assets	\$ 3,407,895	\$ 3,898,261	\$ 9,436,331	\$ 9,511,327	\$ 12,844,226	\$ 13,409,588
Capital assets	20,547,204	20,627,132	32,093,458	32,874,848	52,640,662	53,501,980
Total assets	23,955,099	24,525,393	41,529,789	42,386,175	65,484,888	66,911,568
Deferred outflow						
of resources	-	-	517,780	-	517,780	-
Current liabilities	40,732	317,076	426,224	496,273	466,956	813,349
Noncurrent						
liabilities	3,045,244	3,324,497	16,265,664	17,700,830	19,310,908	21,025,327
Total liabilities	3,085,976	3,641,573	16,691,888	18,197,103	19,777,864	21,838,676
Net position						
Net investment						
in capital assets	17,925,272	17,717,986	16,343,865	15,723,060	34,269,137	33,441,046
Restricted	2,234,580	2,253,660	2,043,241	1,960,001	4,277,821	4,213,661
Unrestricted	709,271	912,174	6,968,575	6,506,011	7,677,846	7,418,185
Total net position	\$ 20,869,123	\$ 20,883,820	\$ 25,355,681	\$ 24,189,072	\$ 46,224,804	\$ 45,072,892

Net investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net position (74%). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the City's net investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net position*, representing 9% of the City's net position, is subject to external restrictions, and thus is limited as to how it may be used. The remaining balance of *unrestricted net position* (\$7,677,846) may be used to help meet the government's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net position.

### Changes in Net Position

Year Ended September 30,	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
<b>Program revenues</b>						
Charges for services	\$ 684,618	\$ 486,065	\$ 10,068,175	\$ 9,294,939	\$ 10,752,793	\$ 9,781,004
Operating grants/contributions	42,137	4,633	29,651	-	71,788	4,633
Capital grants/contributions	72,063	940,487	-	-	72,063	940,487
<b>General revenues</b>						
Gross receipts taxes	5,408,168	5,339,233	-	-	5,408,168	5,339,233
Utility taxes/franchise fees	3,166,717	2,838,331	-	-	3,166,717	2,838,331
Property taxes, CRA	220,020	223,989	-	-	220,020	223,989
Other	119,209	110,912	41,027	40,587	160,236	151,499
Transfers	600,000	1,500,000	(600,000)	(1,500,000)	-	-
<b>Total revenues and transfers</b>	<b>10,312,932</b>	<b>11,443,650</b>	<b>9,538,853</b>	<b>7,835,526</b>	<b>19,851,785</b>	<b>19,279,176</b>
<b>Expenses</b>						
General government	2,512,455	2,508,053	-	-	2,512,455	2,508,053
Public safety	4,716,783	4,541,643	-	-	4,716,783	4,541,643
Highways and streets	1,251,655	1,165,204	-	-	1,251,655	1,165,204
Culture/recreation	1,732,899	1,605,330	-	-	1,732,899	1,605,330
Interest on long-term debt	113,837	125,744	-	-	113,837	125,744
Water	-	-	2,648,623	2,669,183	2,648,623	2,669,183
Sewer	-	-	2,986,314	3,214,813	2,986,314	3,214,813
Sanitation	-	-	1,835,142	1,774,413	1,835,142	1,774,413
Storm water	-	-	539,357	699,164	539,357	699,164
<b>Total expenses</b>	<b>10,327,629</b>	<b>9,945,974</b>	<b>8,009,436</b>	<b>8,357,573</b>	<b>18,337,065</b>	<b>18,303,547</b>
<b>Change in net position</b>	<b>\$ (14,697)</b>	<b>\$ 1,497,676</b>	<b>\$ 1,529,417</b>	<b>\$ (522,047)</b>	<b>\$ 1,514,720</b>	<b>\$ 975,629</b>

Governmental activities expenditures exceeded revenues by \$14,697, while business-type activities revenues exceeded expenses by \$1,529,417. Total revenues increased \$572,609 from the previous year. Revenues increased as a result of several factors. Capital grants and contribution revenues decreased \$868,424, charges for service revenues increased \$996,087, and utility taxes and franchise fees increased \$328,386. Total expenses increased \$33,518 from the previous year. Governmental expenditures increased \$381,655. Public safety expenditures increased by \$175,140, culture and recreation expenditures increased by \$127,569, and highways and streets expenditures increased \$86,451. Utility expenses decreased \$348,137.

52% of the revenues for governmental activities were generated by gross receipts taxes, while most of the governmental resources were expended for public safety (46%), general government (24%), culture and recreation (17%), and highways and streets (12%) activities.

Charges for services provided substantially all of the revenues for business-type activities excluding transfers, while the sewer fund consumed 37% of business-type activities expenses.

## **Financial Analysis of the City's Funds**

### **Governmental Funds**

#### **General Fund**

The main operating fund of the City is the general fund. As of September 30, 2014, total assets were \$2,615,525, and total liabilities were \$15,784. At the end of fiscal year 2014, unassigned fund balance of the general fund was \$814,984, while total fund balance equaled \$2,599,741.

The general fund's budget was amended during the year to reflect anticipated increases in revenues and decreases in expenditures.

#### **Other Governmental Funds**

The *Community Redevelopment Fund* is used by the City to account for the revenues and expenditures of the Lynn Haven Community Redevelopment Agency. The budget was amended during the year to reflect decreases in anticipated revenues and expenditures which resulted from the decrease in available funds.

The *Main Street Fund* is used by the City to account for the revenues and expenditures of the Main Street project to assist in revitalizing downtown Lynn Haven done through Lynn Haven Main Street, Inc., a not-for-profit organization. The budget was amended during the year to reflect decreases in anticipated revenues and expenditures which results from the decrease in available funds.

The *Debt Service Fund* is used by the City to account for principal and interest payments on general fund debt. The City does not adopt a budget for the debt service fund, instead debt service fund revenues and expenditures are budgeted indirectly as transfers to the debt service fund and interest in the general fund.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. Each proprietary fund is reported as a major fund.

Unrestricted net position of proprietary funds at the end of the year are presented below:

Fund	Unrestricted Net Position	
	2014	2013
<i>September 30,</i>		
Water	\$ 4,035,916	\$ 3,675,324
Sewer	307,787	668,811
Sanitation	2,578,456	2,132,562
Storm water	46,416	29,314
Total	\$ 6,968,575	\$ 6,506,011

The *Proprietary Funds* are used to account for the operations of the City's utility systems. Refer to the statement of net position – proprietary funds and the statement of revenues, expenses, and changes in net position – proprietary funds for specific numerical data.

### Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2014, was \$52,640,662 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Completion of Highway 77 sidewalk project started in 12/13 - \$1,159,705.
- Permitting/engineering for water treatment plant # 3 and wells #7 and #8 construction in progress - \$1,151,315. Currently the City is conducting a feasibility study to determine at what point construction is advisable.
- Sand Hills AWT construction in progress - \$307,496.
- AWT filter replacements construction in progress - \$205,000. Additional funding was obtained in FY 14/15 to move forward with this project.

### Capital Assets (net of depreciation)

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 2,359,194	\$ 2,359,194	\$ 1,817,451	\$ 1,817,451	\$ 4,176,645	\$ 4,176,645
Construction in progress	-	1,105,964	1,812,750	1,470,095	1,812,750	2,576,059
Buildings	2,165,485	2,235,823	680,781	717,948	2,846,266	2,953,771
Improvements	14,979,320	13,810,441	26,603,077	27,438,401	41,582,397	41,248,842
Machinery and equipment	1,043,205	1,115,710	1,179,399	1,430,954	2,222,604	2,546,664
Total	\$ 20,547,204	\$ 20,627,132	\$ 32,093,458	\$ 32,874,849	\$ 52,640,662	\$ 53,501,981

Additional information on the City's capital assets can be found in note 7: Capital Assets, of the notes to the basic financial statements.

### Debt Management

At the end of the current fiscal year, the City had total bond debt outstanding in the amount of \$17,959,823. This debt amount represents bonds secured solely by specified revenue sources.

#### Outstanding Bond Debt

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds	\$ 2,210,230	\$ 2,388,210	\$ 15,749,593	\$ 17,151,789	\$ 17,959,823	\$ 19,539,999

Principal repayments during the year on bonds totaled \$1,580,176. More detail on the City's liabilities is presented in notes 9 and 10 of the notes to basic financial statements.

### Economic Factors and Next Year's Budget and Rates

After three consecutive years of decreases in total taxable value, FY 2014/2015 brings a slight increase. In conjunction with an increase last year in commercial and residential growth, indications are that this will continue in to the upcoming year. As always, the challenge has been to adapt to these changes with innovation and stewardship. The City's leadership recognizes and has embraced the critical role it must play in strategically planning to maintain services and infrastructure, providing for future projects, and being prepared for the unexpected. For the FY 2014/2015 budget, the ad valorem rate increased to 3.9000. User fees were adjusted based on the annual change in the Consumer Price Index.

At September 30, 2014, unassigned fund balance in the general fund was \$814,984. Use of available fund balance will enable the City to perform its basic mission and to be prepared for emergencies should they arise. As part of the regular budget monitoring process, the finance department prepares a monthly financial report that the City Manager and City Commission can use to follow the actual performance of revenue and expenditure estimates. In addition, during the year an analysis of the budget estimates versus the actual results is done to assess the need for any supplemental appropriations. When necessary, the City Commission passes supplemental appropriations resolutions with at least one at year end.

### Contacting the City's Finance Department

This financial report is designed to provide a general overview of the City of Lynn Haven's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Lynn Haven Finance Department, 825 Ohio Avenue, Lynn Haven, Florida 32444. You may visit the City's website at [www.cityoflynnhaven.com](http://www.cityoflynnhaven.com) or send email to [cityhall@cityoflynnhaven.com](mailto:cityhall@cityoflynnhaven.com).

**City of Lynn Haven, Florida**  
**Statement of Net Position**

**Primary Government**

<b>September 30, 2014</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,455,332	\$ 6,223,403	\$ 7,678,735
Accounts receivable, net	21,959	461,781	483,740
Notes receivable	-	6,928	6,928
Grants receivable	23,726	-	23,726
Prepaid expenses	277,716	-	277,716
Inventory	38,263	69,225	107,488
Temporarily restricted assets			
Cash and cash equivalents	1,590,899	2,443,240	4,034,139
<b>Total current assets</b>	<b>3,407,895</b>	<b>9,204,577</b>	<b>12,612,472</b>
Noncurrent assets			
Prepaid bond insurance	-	79,954	79,954
Notes receivable	-	151,800	151,800
Capital assets			
Nondepreciable	2,359,194	3,630,201	5,989,395
Depreciable, net of accumulated depreciation	18,188,010	28,463,257	46,651,267
<b>Total noncurrent assets</b>	<b>20,547,204</b>	<b>32,325,212</b>	<b>52,872,416</b>
Deferred outflows			
Deferred gain on bond refunding	-	517,780	517,780
<b>Total deferred outflows</b>	<b>-</b>	<b>517,780</b>	<b>517,780</b>
<b>Total assets and deferred outflows</b>	<b>23,955,099</b>	<b>42,047,569</b>	<b>66,002,668</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	2,057	1,472	3,529
Accrued expenses	13,751	-	13,751
Accrued interest	24,924	216,674	241,598
Unearned revenue	-	208,078	208,078
<b>Total current liabilities</b>	<b>40,732</b>	<b>426,224</b>	<b>466,956</b>

(Continued)

See accompanying notes.

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

<b>Primary Government</b>			
<b>September 30, 2014</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Noncurrent liabilities</b>			
Customer deposits	\$ -	\$ 393,180	\$ 393,180
Due within one year			
Accrued compensated absences	39,372	11,844	51,216
Notes payable	112,418	-	112,418
Bonds payable	187,240	1,412,760	1,600,000
Due in more than one year			
Accrued compensated absences	241,857	67,116	308,973
Notes payable	299,284	-	299,284
Bonds payable, net of discount	2,022,990	14,336,833	16,359,823
Other postemployment benefits	142,083	43,931	186,014
<b>Total noncurrent liabilities</b>	<b>3,045,244</b>	<b>16,265,664</b>	<b>19,310,908</b>
<b>Total liabilities</b>	<b>3,085,976</b>	<b>16,691,888</b>	<b>19,777,864</b>
<b>Net position</b>			
Net investment in capital assets	17,925,272	16,343,865	34,269,137
Restricted			
Law enforcement education	6,069	-	6,069
Capital repair and replacement	1,462,708	282,902	1,745,610
Debt service	119,509	1,760,339	1,879,848
Community redevelopment	646,294	-	646,294
Unrestricted	709,271	6,968,575	7,677,846
<b>Total net position</b>	<b>\$ 20,869,123</b>	<b>\$ 25,355,681</b>	<b>\$ 46,224,804</b>

See accompanying notes.

**City of Lynn Haven, Florida**  
**Statement of Activities**

Year Ended September 30, 2014	Net (Expenses) Revenues and Change in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Functions / Programs</b>							
<b>Primary government</b>							
Governmental activities							
Legislative	\$ 86,642	\$ -	\$ -	\$ -	\$ (86,642)	\$ -	\$ (86,642)
Executive	343,600	-	-	-	(343,600)	-	(343,600)
Administration and finance	405,399	-	-	-	(405,399)	-	(405,399)
Professional services	317,398	-	-	-	(317,398)	-	(317,398)
Development and planning	423,398	184,525	-	-	(238,873)	-	(238,873)
Protective inspections	317,860	-	-	-	(317,860)	-	(317,860)
Public works	346,109	-	-	-	(346,109)	-	(346,109)
Other general government	589,909	108,850	16,337	54,627	(410,095)	-	(410,095)
Law enforcement	3,036,023	149,588	-	9,993	(2,876,442)	-	(2,876,442)
Fire protection	1,362,900	35,392	23,726	-	(1,303,782)	-	(1,303,782)
Streets	830,519	30,129	-	-	(800,390)	-	(800,390)
Fleet management	421,136	-	-	-	(421,136)	-	(421,136)
Library	252,696	4,381	2,074	1,223	(245,018)	-	(245,018)
Leisure services	1,480,203	171,753	-	6,220	(1,302,230)	-	(1,302,230)
Interest on long-term debt	113,837	-	-	-	(113,837)	-	(113,837)
<b>Total governmental activities</b>	<b>10,327,629</b>	<b>684,618</b>	<b>42,137</b>	<b>72,063</b>	<b>(9,528,811)</b>	<b>-</b>	<b>(9,528,811)</b>
Business-type activities							
Water	2,648,623	3,590,219	-	-	-	941,596	941,596
Sewer	2,986,314	3,503,413	-	-	-	517,099	517,099
Sanitation	1,835,142	2,482,896	5,353	-	-	653,107	653,107
Storm water	539,357	491,647	24,298	-	-	(23,412)	(23,412)
<b>Total business-type activities</b>	<b>8,009,436</b>	<b>10,068,175</b>	<b>29,651</b>	<b>-</b>	<b>-</b>	<b>2,088,390</b>	<b>2,088,390</b>
<b>Total primary government</b>	<b>\$ 18,337,065</b>	<b>\$ 10,752,793</b>	<b>\$ 71,788</b>	<b>\$ 72,063</b>	<b>(9,528,811)</b>	<b>2,088,390</b>	<b>(7,440,421)</b>

(Continued)

See accompanying notes.

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

	<b>Net (Expenses) Revenues and Change in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Year Ended September 30, 2014</b>			
General revenues			
Taxes			
Gross receipts	\$ 5,408,168	\$ -	\$ 5,408,168
Utility taxes	1,913,878	-	1,913,878
Franchise fees	1,252,839	-	1,252,839
Property taxes	220,020	-	220,020
Rents	86,895	-	86,895
Miscellaneous	29,411	32,265	61,676
Total general revenues	8,911,211	32,265	8,943,476
Interest earnings	2,903	8,762	11,665
Total general revenues and interest	8,914,114	41,027	8,955,141
Transfers	600,000	(600,000)	-
Total general revenues, interest and transfers	9,514,114	(558,973)	8,955,141
Change in net position	(14,697)	1,529,417	1,514,720
Net position - beginning	20,883,820	24,189,072	45,072,892
Prior period adjustment	-	(362,808)	(362,808)
Net position - beginning (restated)	20,883,820	23,826,264	44,710,084
Net position - ending	\$ 20,869,123	\$ 25,355,681	\$ 46,224,804

See accompanying notes.

**City of Lynn Haven, Florida**  
**Balance Sheet – Governmental Funds**

<b>September 30, 2014</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 782,471	\$ 672,861	\$ 1,455,332
Accounts receivable, net	21,959	-	21,959
Prepays	277,716	-	277,716
Due from other governments	23,726	-	23,726
Inventory	38,263	-	38,263
Cash and cash equivalents - restricted	1,471,390	119,509	1,590,899
<b>Total assets</b>	<b>\$ 2,615,525</b>	<b>\$ 792,370</b>	<b>3,407,895</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,033	\$ 24	2,057
Accrued expenditures	13,751	-	13,751
<b>Total liabilities</b>	<b>15,784</b>	<b>24</b>	<b>15,808</b>
<b>Fund balances</b>			
<b>Nonspendable</b>			
Inventory	38,264	-	38,264
Prepays	277,716	-	277,716
<b>Restricted</b>			
Law enforcement education	6,069	-	6,069
Capital repair and replacement	1,462,708	-	1,462,708
Community Redevelopment fund	-	646,294	646,294
Debt service fund	-	119,509	119,509
<b>Assigned</b>			
Main Street fund	-	26,543	26,543
<b>Unassigned</b>			
General fund	814,984	-	814,984
<b>Total fund balances</b>	<b>2,599,741</b>	<b>792,346</b>	<b>3,392,087</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,615,525</b>	<b>\$ 792,370</b>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			20,547,204
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(3,070,168)
<b>Net position of governmental activities</b>			<b>\$ 20,869,123</b>

See accompanying notes.

**City of Lynn Haven, Florida**

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

<b>Year Ended September 30, 2014</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenues</b>			
Taxes			
Gross receipts	\$ 1,010,903	\$ -	\$ 1,010,903
Utility	1,312,394	-	1,312,394
Property taxes	2,853,438	220,020	3,073,458
Intergovernmental	2,145,311	-	2,145,311
Licenses and permits	1,568,357	-	1,568,357
Fines and forfeitures	29,233	-	29,233
Charges for services	333,829	-	333,829
Contributions and donations	25,854	-	25,854
Grants	88,346	-	88,346
Interest	2,217	686	2,903
Other fees and miscellaneous	119,655	2,689	122,344
<b>Total revenues</b>	<b>9,489,537</b>	<b>223,395</b>	<b>9,712,932</b>
<b>Expenditures</b>			
Current			
Legislative	86,642	-	86,642
Executive	325,701	-	325,701
Administration and finance	414,720	-	414,720
Professional services	317,398	-	317,398
Development and planning	206,679	167,226	373,905
Protective inspections	321,991	-	321,991
Public works	334,336	-	334,336
Other general government	436,414	-	436,414
Law enforcement	2,945,125	-	2,945,125
Fire protection	1,338,389	-	1,338,389
Streets	595,394	-	595,394
Fleet management	211,921	-	211,921
Library	214,059	-	214,059
Leisure services	1,434,888	-	1,434,888
Capital outlay	588,680	186,340	775,020
Debt service			
Principal	-	287,214	287,214
Interest and fiscal charges	929	114,495	115,424
<b>Total expenditures</b>	<b>9,773,266</b>	<b>755,275</b>	<b>10,528,541</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(283,729)</b>	<b>(531,880)</b>	<b>(815,609)</b>
<b>Other financing sources (uses)</b>			
Transfers in	600,000	522,673	1,122,673
Transfers out	(403,673)	(119,000)	(522,673)
<b>Total other financing sources (uses)</b>	<b>196,327</b>	<b>403,673</b>	<b>600,000</b>
<b>Net changes in fund balances</b>	<b>(87,402)</b>	<b>(128,207)</b>	<b>(215,609)</b>
<b>Fund balances - beginning</b>	<b>2,687,143</b>	<b>920,553</b>	<b>3,607,696</b>
<b>Fund balances - ending</b>	<b>\$ 2,599,741</b>	<b>\$ 792,346</b>	<b>\$ 3,392,087</b>

See accompanying notes.

**City of Lynn Haven, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities**

**Year Ended September 30, 2014**

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

Net changes in fund balances - total governmental funds (page 16) \$ (215,609)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (79,928)

The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of the issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 287,214

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (6,374)

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**Change in net position of governmental activities (page 14) \$ (14,697)**

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See accompanying notes.

**City of Lynn Haven, Florida**  
**Statement of Revenues, Expenditures and Changes in Fund Balances –**  
**Budget and Actual – General Fund**

Year Ended September 30, 2014	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes				
Gross receipts	\$ 974,898	\$ 1,010,903	\$ 1,010,903	\$ -
Utility taxes	1,108,000	1,312,394	1,312,394	-
Property taxes	2,805,266	2,853,438	2,853,438	-
Intergovernmental	1,904,777	2,145,311	2,145,311	-
Licenses and permits	1,337,825	1,568,357	1,568,357	-
Fines and forfeitures	17,680	29,233	29,233	-
Charges for services	260,407	333,829	333,829	-
Contributions and donations	9,950	25,854	25,854	-
Grants	8,464	88,346	88,346	-
Interest	2,000	2,217	2,217	-
Other fees and miscellaneous	116,324	119,655	119,655	-
Total revenues	8,545,591	9,489,537	9,489,537	-
<b>Expenditures</b>				
Current				
Legislative	83,898	86,642	86,642	-
Executive	364,791	325,701	325,701	-
Administration and finance	412,576	414,720	414,720	-
Professional services	310,860	317,398	317,398	-
Development and planning	206,860	206,679	206,679	-
Protective inspections	291,245	321,991	321,991	-
Public works	305,763	334,336	334,336	-
Other general government	542,832	436,414	436,414	-
Law enforcement	3,109,164	2,945,125	2,945,125	-
Fire protection	1,346,734	1,338,389	1,338,389	-
Streets	565,894	595,394	595,394	-
Fleet management	207,519	211,921	211,921	-
Library	201,804	214,059	214,059	-
Leisure services	1,478,843	1,434,888	1,434,888	-
Capital outlay	497,927	588,680	588,680	-
Debt Service				
Interest and fiscal charges	808	929	929	-
Total expenditures	9,927,518	9,773,266	9,773,266	-
Excess (deficit) of revenues over (under) expenditures	(1,381,927)	(283,729)	(283,729)	-
<b>Other financing sources (uses)</b>				
Transfers in	1,500,000	600,000	600,000	-
Transfers out	(403,673)	(403,673)	(403,673)	-
Total other financing sources (uses)	1,096,327	196,327	196,327	-
<b>Net changes in fund balances</b>	(285,600)	(87,402)	(87,402)	-
<b>Fund balances - beginning</b>	2,687,143	2,687,143	2,687,143	-
<b>Fund balances - ending</b>	\$ 2,401,543	\$ 2,599,741	\$ 2,599,741	-

See accompanying notes.

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

Business-type Activities / Enterprise Funds					
September 30, 2014	Water	Sewer	Sanitation	Storm water	Total
<b>Assets</b>					
Current assets					
Equity in pooled cash	\$ 3,672,565	\$ 22,892	\$ 2,488,345	\$ 39,601	\$ 6,223,403
Accounts receivable, net	164,009	157,302	115,540	20,169	457,020
Assessments receivable	4,761	-	-	-	4,761
Notes receivable	-	6,928	-	-	6,928
Inventory	69,225	-	-	-	69,225
Restricted assets - investment savings	885,883	1,431,398	-	125,959	2,443,240
<b>Total current assets</b>	<b>4,796,443</b>	<b>1,618,520</b>	<b>2,603,885</b>	<b>185,729</b>	<b>9,204,577</b>
Noncurrent assets					
Notes receivable	-	151,800	-	-	151,800
Prepaid bond insurance	24,772	55,182	-	-	79,954
Capital assets					
Land	220,303	1,584,148	-	13,000	1,817,451
Buildings	863,954	564,764	-	-	1,428,718
Vehicles	188,953	167,771	1,066,648	53,460	1,476,832
Improvements other than buildings	11,692,524	27,560,681	-	3,658,465	42,911,670
Furniture and equipment	1,186,654	653,806	397,932	302,078	2,540,470
Construction in progress	1,151,315	637,337	-	24,098	1,812,750
<b>Total capital assets</b>	<b>15,303,703</b>	<b>31,168,507</b>	<b>1,464,580</b>	<b>4,051,101</b>	<b>51,987,891</b>
Less accumulated depreciation	4,779,190	13,095,753	1,163,985	855,505	19,894,433
<b>Net capital assets</b>	<b>10,524,513</b>	<b>18,072,754</b>	<b>300,595</b>	<b>3,195,596</b>	<b>32,093,458</b>
<b>Total noncurrent assets</b>	<b>10,549,285</b>	<b>18,279,736</b>	<b>300,595</b>	<b>3,195,596</b>	<b>32,325,212</b>
Deferred outflows					
Deferred gain on bond refunding	224,331	293,449	-	-	517,780
<b>Total deferred outflows</b>	<b>224,331</b>	<b>293,449</b>	<b>-</b>	<b>-</b>	<b>517,780</b>
<b>Total assets and deferred outflows</b>	<b>15,570,059</b>	<b>20,191,705</b>	<b>2,904,480</b>	<b>3,381,325</b>	<b>42,047,569</b>
<b>Liabilities</b>					
Current liabilities					
Accounts payable	694	726	-	52	1,472
Accrued interest	76,502	140,172	-	-	216,674
Unearned revenue	-	208,078	-	-	208,078
<b>Total current liabilities</b>	<b>77,196</b>	<b>348,976</b>	<b>-</b>	<b>52</b>	<b>426,224</b>

(Continued)

See accompanying notes.

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

Business-type Activities / Enterprise Funds					
September 30, 2014	Water	Sewer	Sanitation	Storm water	Total
<b>Noncurrent liabilities</b>					
Customer deposits	\$ 393,180	\$ -	\$ -	\$ -	\$ 393,180
Due within one year					
Accrued compensated absences	5,603	2,921	2,283	1,037	11,844
Bonds payable	311,830	1,100,930	-	-	1,412,760
Due in more than one year					
Accrued compensated absences	31,753	16,553	12,934	5,876	67,116
Bonds payable, net of discount	5,042,685	9,294,148	-	-	14,336,833
Other postemployment benefits	16,015	11,315	10,212	6,389	43,931
Total noncurrent liabilities	5,801,066	10,425,867	25,429	13,302	16,265,664
Total liabilities	5,878,262	10,774,843	25,429	13,354	16,691,888
<b>Net position</b>					
Net investment in capital assets	5,169,998	7,677,676	300,595	3,195,596	16,343,865
Restricted					
Capital repair and replacement	139,421	17,522	-	125,959	282,902
Debt service	346,462	1,413,877	-	-	1,760,339
Unrestricted	4,035,916	307,787	2,578,456	46,416	6,968,575
Total net position	\$ 9,691,797	\$ 9,416,862	\$ 2,879,051	\$ 3,367,971	\$ 25,355,681

See accompanying notes.

**City of Lynn Haven, Florida**  
**Statement of Revenues, Expenses and Changes in Net Position –**  
**Proprietary Funds**

**Business-type Activities / Enterprise Funds**

<b>Year Ended September 30, 2014</b>	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Storm water</b>	<b>Total</b>
<b>Operating revenues</b>					
Charges for services	\$ 3,163,807	\$ 3,085,959	\$ 2,482,896	\$ 408,307	\$ 9,140,969
Grants and contributions	-	-	5,353	24,298	29,651
Connection/reconnection fees	166,690	-	-	-	166,690
Delinquent penalties	147,501	-	-	-	147,501
Impact fees	79,388	405,979	-	81,066	566,433
Tap fees	32,833	11,475	-	-	44,308
<b>Total operating revenues</b>	<b>3,590,219</b>	<b>3,503,413</b>	<b>2,488,249</b>	<b>513,671</b>	<b>10,095,552</b>
<b>Operating expenses</b>					
Salaries	596,973	341,089	344,093	208,161	1,490,316
Payroll taxes	41,625	24,026	22,894	14,423	102,968
Pension benefit	143,462	82,454	75,327	30,064	331,307
Employee insurance	91,447	40,936	75,017	38,210	245,610
Other postemployment benefit	3,885	2,132	2,222	1,380	9,619
Workers' compensation insurance	19,635	11,248	37,157	15,445	83,485
<b>Total personnel expenses</b>	<b>897,027</b>	<b>501,885</b>	<b>556,710</b>	<b>307,683</b>	<b>2,263,305</b>
Utilities	112,361	341,805	116	277	454,559
Miscellaneous	2,097	2,109	-	-	4,206
Fuel and oil	30,513	20,141	83,046	15,319	149,019
Chlorine and chemicals	20,802	111,488	-	-	132,290
Depreciation	493,615	882,844	91,550	121,581	1,589,590
Repairs and maintenance	28,366	118,225	101,257	21,094	268,942
Professional services	32,256	61,995	-	5,000	99,251
Contractual services	508,091	379,882	685,813	-	1,573,786
Communications	7,158	4,089	594	-	11,841
Uniform rental	5,547	5,081	4,616	2,825	18,069
Dues and subscriptions	2,722	-	-	-	2,722
Training	2,665	1,472	-	-	4,137
Rentals and leases	1,100	4,035	-	-	5,135
Operating supplies	189,819	51,787	4,225	64,030	309,861
Office supplies	9,067	5	-	-	9,072
Tipping fees	-	-	298,731	-	298,731
Postage and courier	44,141	3,328	-	-	47,469
Insurance	-	6,211	-	-	6,211
Bad debts	13,930	12,716	8,484	1,548	36,678
<b>Total operating expenses</b>	<b>2,401,277</b>	<b>2,509,098</b>	<b>1,835,142</b>	<b>539,357</b>	<b>7,284,874</b>
<b>Operating income (loss)</b>	<b>1,188,942</b>	<b>994,315</b>	<b>653,107</b>	<b>(25,686)</b>	<b>2,810,678</b>

(Continued)

See accompanying notes.

**City of Lynn Haven, Florida**  
**Statement of Revenues, Expenses and Changes in Net Position –**  
**Proprietary Funds (Continued)**

Business-type Activities / Enterprise Funds					
Year Ended September 30, 2014	Water	Sewer	Sanitation	Storm water	Total
<b>Nonoperating revenues (expenses)</b>					
Miscellaneous	\$ 31,664	\$ 601	\$ -	\$ 2,274	\$ 34,539
Interest revenue	2,020	5,454	1,237	51	8,762
Interest and amortization expense	(247,346)	(477,216)	-	-	(724,562)
<b>Total nonoperating revenues (expenses)</b>	<b>(213,662)</b>	<b>(471,161)</b>	<b>1,237</b>	<b>2,325</b>	<b>(681,261)</b>
Net income (loss) before transfers	975,280	523,154	654,344	(23,361)	2,129,417
Transfers in (out)	(317,500)	17,500	(300,000)	-	(600,000)
<b>Changes in net position</b>	<b>657,780</b>	<b>540,654</b>	<b>354,344</b>	<b>(23,361)</b>	<b>1,529,417</b>
<b>Total net position - beginning</b>	<b>9,115,747</b>	<b>9,157,286</b>	<b>2,524,707</b>	<b>3,391,332</b>	<b>24,189,072</b>
Prior period adjustment	(81,730)	(281,078)	-	-	(362,808)
<b>Total net position - beginning (restated)</b>	<b>9,034,017</b>	<b>8,876,208</b>	<b>2,524,707</b>	<b>3,391,332</b>	<b>23,826,264</b>
<b>Total net position - ending</b>	<b>\$ 9,691,797</b>	<b>\$ 9,416,862</b>	<b>\$ 2,879,051</b>	<b>\$ 3,367,971</b>	<b>\$ 25,355,681</b>

See accompanying notes.

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

Business-type Activities / Enterprise Funds					
Year Ended September 30, 2014	Water	Sewer	Sanitation	Storm water	Total
<b>Operating activities</b>					
Receipts from customers and users	\$ 3,575,229	\$ 3,499,230	\$ 2,486,736	\$ 513,786	\$ 10,074,981
Payments to suppliers and others	(985,849)	(1,074,641)	(1,187,211)	(110,714)	(3,358,415)
Payments for personnel services	(911,881)	(512,204)	(567,562)	(313,004)	(2,304,651)
Net cash provided by operating activities	1,677,499	1,912,385	731,963	90,068	4,411,915
<b>Noncapital financing activities</b>					
Miscellaneous receipts	31,664	601	-	2,274	34,539
Payments (to)/from other funds	(317,500)	17,500	(300,000)	-	(600,000)
Net cash provided by (used for) noncapital financing activities	(285,836)	18,101	(300,000)	2,274	(565,461)
<b>Capital and related financing activities</b>					
Acquisition of capital assets	(373,027)	(411,075)	-	(24,098)	(808,200)
Principal paid on bonds	(299,069)	(1,065,350)	-	-	(1,364,419)
Interest paid on bonds	(251,419)	(490,023)	-	-	(741,442)
Net cash used for capital and related financing activities	(923,515)	(1,966,448)	-	(24,098)	(2,914,061)
<b>Investing activities</b>					
Interest received	2,020	5,454	1,237	51	8,762
Net cash provided by investing activities	2,020	5,454	1,237	51	8,762
<b>Net increase (decrease) in cash and cash equivalents</b>	470,168	(30,508)	433,200	68,295	941,155
<b>Cash and cash equivalents - beginning</b>	4,088,280	1,484,798	2,055,145	97,265	7,725,488
<b>Cash and cash equivalents - ending</b>	\$ 4,558,448	\$ 1,454,290	\$ 2,488,345	\$ 165,560	\$ 8,666,643
<b>Classified as cash</b>					
Unrestricted	\$ 3,672,565	\$ 22,892	\$ 2,488,345	\$ 39,601	\$ 6,223,403
Investment savings	885,883	1,431,398	-	125,959	2,443,240
<b>Cash and cash equivalents - ending</b>	\$ 4,558,448	\$ 1,454,290	\$ 2,488,345	\$ 165,560	\$ 8,666,643

(Continued)

See accompanying notes.

**City of Lynn Haven, Florida**  
**Statement of Cash Flows – Proprietary Funds (Continued)**

Business-type Activities / Enterprise Funds					
Year Ended September 30, 2014	Water	Sewer	Sanitation	Storm water	Total
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 1,188,942	\$ 994,315	\$ 653,107	\$ (25,686)	\$ 2,810,678
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	493,615	882,844	91,550	121,581	1,589,590
Increase (decrease) in accounts receivable, net	(25,960)	(11,331)	(1,513)	115	(38,689)
Decrease in notes receivable	-	7,148	-	-	7,148
Decrease in inventory	11,222	-	-	-	11,222
Decrease in prepaid bond insurance	1,364	6,115	-	-	7,479
Decrease in deferred gain on bond refunding	12,348	44,249	-	-	56,597
Decrease in accounts payable	(148)	(636)	(329)	(621)	(1,734)
Decrease in accrued expenses	(20,806)	(11,300)	(11,964)	(7,365)	(51,435)
Increase (decrease) in compensated absences	2,067	(1,151)	(1,110)	664	470
Increase in other postemployment benefit	3,885	2,132	2,222	1,380	9,619
Increase in customer deposits	10,970	-	-	-	10,970
<b>Net cash provided by operating activities</b>	<b>\$ 1,677,499</b>	<b>\$ 1,912,385</b>	<b>\$ 731,963</b>	<b>\$ 90,068</b>	<b>\$ 4,411,915</b>

See accompanying notes.

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

<b>September 30, 2014</b>	<b>Pension Trust Funds</b>
<b>Assets</b>	
Investment savings	\$ 27,061,769
Interest receivable	17,702
Contributions receivable	217,592
<hr/>	
Total assets	27,297,063
<hr/>	
<b>Liabilities</b>	
Prepaid city contributions	91,530
<hr/>	
Total liabilities	91,530
<hr/>	
<b>Net position</b>	
Held in trust for pension benefits	\$ 27,205,533
<hr/> <hr/>	

See accompanying notes.

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

<b>Year Ended September 30, 2014</b>	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 1,173,505
Plan members	295,682
State	217,592
Settlements	49
Total contributions	1,686,828
Investment earnings	
Interest	64,276
Dividends	524,254
Net increase in fair value of investments	1,754,330
Total investment earnings	2,342,860
Less investment expenses	146,444
Net investment earnings	2,196,416
Total additions	3,883,244
<b>Deductions</b>	
Benefits	579,700
Refunds of contributions	58,461
Total deductions	638,161
Change in net position	3,245,083
Net position - beginning	23,960,450
Net position - ending	\$ 27,205,533

See accompanying notes.

## City of Lynn Haven, Florida Notes to Basic Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lynn Haven (the City) have been prepared in conformity with United States generally accepted accounting principles (U.S. GAAP) as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB).

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

#### ***Reporting Entity***

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

#### ***Component Units – Lynn Haven CRA and Lynn Haven Main Street, Inc.***

This report includes financial statements of the funds of the City. The reporting entity for the City consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government (see note below for description). Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The City has two component units as defined by GASB Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which are required to be included in these financial statements.

The Lynn Haven Community Redevelopment Agency (Agency) is operated by the City. The Agency was created on May 25, 2004, by City Resolution 2004-05-350 pursuant to Florida Statute 163.387. All of the City's commission members serve as board members of the Agency. The Agency's governing body is the same as the

## City of Lynn Haven, Florida Notes to Basic Financial Statements

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

governing body of the City and the Agency provides services specifically to the City. The Agency is presented as a governmental fund type with a fiscal year end of September 30.

Lynn Haven Main Street, Inc. (Organization) is operated by a separate non-profit corporation. The Organization was approved July 27, 2010, by City Resolution 2010-07-506 pursuant to Florida Statute 617.0302. It was created after the City was formally accepted as a participant in the Florida Main Street program. The Organization appoints the Board members after approval by the City. The City approves the Organization's budget. The Organization is presented as a governmental fund type with a fiscal year end of September 30.

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

#### ***Measurement Focus and Basis of Accounting***

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

#### ***Government-wide Financial Statements***

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. The City chooses to eliminate the indirect costs between governmental activities to avoid duplicating revenues and expenditures.

***Fund Financial Statements***

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statement includes financial information for the agency funds. The agency funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or governments.

***Governmental Funds***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

***Proprietary Funds***

The City's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than an "other financing" source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

***Fiduciary Funds***

Fiduciary funds are used to account for assets held by the City in a trustee capacity and include pension trust funds. Pension trust funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical.

***Basis of Presentation***

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has used GASB Statement 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds. The nonmajor governmental funds include community redevelopment, Main Street and the debt service funds.

***Governmental Major Funds***

General Fund - The general fund is the general operating fund of the City. It is used to account for all activities of the general government except those required to be accounted for in another fund.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Proprietary Major Funds***

Utility Funds - The utility funds are used to account for operations and activities related to the water, sewer, sanitation and storm water systems within the City.

***Noncurrent Governmental Assets/Liabilities***

GASB Statement 34 requires noncurrent governmental assets, such as land, buildings and equipment, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net position.

***Budgets***

Annual budgets are legally adopted for all governmental funds, except those indicated in note 3, and proprietary funds. Budgets are prepared and adopted on a basis of accounting consistent with U.S. generally accepted accounting principles, except as described in note 3. All annual appropriations lapse at fiscal year end.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. Chapter 129, Florida Statutes, governs the manner in which the budget may be legally amended once it has been approved. Therefore, the fund level is the legal level of control for budget considerations according to Florida Statutes.

The City budgets expenditures at the department level. Only the City Commission can approve budget amendments that change the total approved budget appropriation of an individual department. The City manager can transfer appropriations within the departmental budget, but cannot change the total appropriation of an individual department without the approval of the City Commission.

If, during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Commission by resolution may make supplemental appropriations for the year up to the amount of such excess. During the current fiscal year, various supplemental appropriations were approved by the Commission.

Budgetary data presented in the accompanying basic financial statements in the final budgeted amounts column represents the final budgetary data. In this column the effects of budget amendments have been applied to original budgetary data.

***Encumbrances***

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Cash and Cash Equivalents***

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

For the purpose of the statement of cash flows in the proprietary fund types, the City considers cash, certificates of deposits with maturities of up to one year, and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Deposits and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

The City has adopted the reporting required by Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investments, including investments in the City's fiduciary funds are recorded at fair value based on quoted market values.

***Accounts Receivable***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

***Due to and Due from Other Funds***

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

***Inventory***

Inventory in governmental funds consists of expendable supplies held for consumption stated on a first-in/first-out basis. It is reported at cost at the time individual inventory items are purchased. Reported inventory in these funds is equally offset by a fund balance reserve which indicates inventory amounts do not constitute available spendable resources even though they are a component of net current assets. Inventory in proprietary funds is valued at the lower of cost (first-in, first-out) or market.

***Other Assets***

Other assets held are recorded and accounted for at cost.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, infrastructure, water and sewer distribution systems and similar items), are reported in the applicable

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year with a threshold of \$250 for library books, a threshold of \$1,000 for equipment, and a threshold of \$100,000 for buildings and infrastructure, and all land and land improvements in accordance with state policy. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are stated at cost, except for contributed assets, which are recorded at fair market value on the date received by the City. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are generally as follows:

Water distribution system	
Original system	50 Years
Additions	10-50 Years
Sewer system	
Original system	30 Years
Additions	20-50 Years
Machinery and equipment	5-10 Years

***Long-term Obligations***

The City reports long-term debt of governmental funds at face value in the government-wide long-term liabilities. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide long-term liabilities.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Gains and losses on refunding are deferred and amortized over the life of the bonds using the effective straight-line method. Bond issuance costs are expensed during the current period.

Bond discounts associated with the issuance of proprietary fund revenue bonds are amortized over the life of the bonds using the straight-line method. For financial reporting, unamortized bond discounts are netted against the applicable long-term debt.

***Capitalization of Interest***

Interest costs related to bond issues are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments in business-type activities. The City does not capitalize interest in governmental activities. During the year ended September 30, 2014, the City capitalized no interest.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Unearned Revenues***

Unearned revenues reported in government-wide financial statements represent revenues received in advance. The earned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting.

***Fund balances***

The City has implemented GASB Statement 54 employing the following terminology and classifications for fund balance.

**Nonspendable** – This category includes the resources that cannot be spent because they are either not spendable form or are legally or contractually required to be maintained intact. The balance as of September 30, 2014 of \$315,980 is from prepaids and inventory which are not in spendable form.

**Restricted** – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provision, or enabling legislation. The balance as of September 30, 2014 of \$2,234,580 is restricted by creditors for repayment of debt issued, enabling legislation, and donor restrictions.

**Committed** – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the City Commissioners. There are no committed funds as of September 30, 2014.

**Assigned** – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. The balance as of September 30, 2014 of \$26,543 is for the specific purposes of the Main Street fund.

**Unassigned** – This category is the residual classification for the City's fund balances. The balance as of September 30, 2014 is \$814,984.

***Deferred outflows, deferred inflows, and net position***

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

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Restricted - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Unrestricted - indicates that portion of net position that is available for future periods.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was implemented in the current year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows or resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and the statement of net position for proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has no transactions that meet the definition of deferred inflows of resources.

***Restricted Assets***

Certain assets of the various funds are required by resolutions or ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use, it is the government's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

***Property Taxes***

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. All property is assessed by the county according to its fair market value on January 1 of each year. Each assessment roll is submitted to the executive director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for general operations. The City's millage rate for the year ended September 30, 2014, was 3.0887 mills.

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

***Estimates***

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

***Subsequent events***

Management of the City has evaluated subsequent events through March 3, 2015, the date the financial statements were available to be issued.

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this difference are as follows:

Cost of capital assets	\$ 30,408,356
Less: accumulated depreciation	9,861,152
<hr/>	
Net adjustment to increase fund balance - total governmental funds to arrive at net position of governmental activities	\$ 20,547,204
<hr/>	

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

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

Another element of that reconciliation states, "long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ 2,210,230
Notes payable	411,702
Compensated absences	281,229
Other postemployment benefits	142,083
Accrued interest	24,924
<hr/>	
Net adjustment to reduce fund balance - total governmental funds to arrive at net position of governmental activities	\$ 3,070,168
<hr/>	

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

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

Capital outlay	\$ 775,020
Depreciation	(854,948)
<hr/>	
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at change in net position of governmental activities	\$ (79,928)
<hr/>	

Another element of that reconciliation states, "the issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Principal repayments	
Note payments	\$ 109,234
Bond payments	177,980
<hr/>	
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at change in net position of governmental activities	\$ 287,214
<hr/>	

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

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

Another element of that reconciliation states, "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this difference are as follows:

Compensated absences	\$ 23,965
Other postemployment benefits	(31,926)
Accrued interest	1,587
<hr/>	
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ (6,374)</u></u>

**NOTE 3: BUDGETS**

The City adopts budgets on a basis consistent with United States generally accepted accounting principles (U.S. GAAP) except as follows:

The City did not adopt a budget for the debt service fund. The debt service fund revenues and expenditures were budgeted indirectly as transfers to the debt service fund and interest expense in the general fund.

**NOTE 4: DEPOSITS AND INVESTMENTS**

***Deposits***

All cash resources of the City are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year.

In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

***Investments***

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in s. 280.02.
- Direct obligations of the United States Treasury.

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 4: DEPOSITS AND INVESTMENTS (CONTINUED)**

***Credit Risk***

The credit risk of certain investments, such as investment pools managed by other outside parties, cannot be categorized as to credit risk other than as noted below because the City investments are not evidenced by specific, identifiable investment securities.

***Interest Rate Risk***

At September 30, 2014, the City did not hold any investments other than those disclosed below that were considered to be an interest rate risk.

***Custodial Risk***

At September 30, 2014, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

At September 30, 2014, the City did not hold any investments that were considered to be a concentration of credit risk in the primary government. At September 30, 2014, the City's cash and investments consisted of the following:

	<b>Credit Rating</b>	<b>Current</b>	<b>0-5 Years</b>	<b>5-10 Years</b>	<b>Total Carrying Amount</b>
Cash	(1)	\$ 11,704,494	\$ -	\$ -	\$ 11,704,494
Local Govt Surplus Trust Fund Pool		8,380	-	-	8,380
<b>Totals</b>		<b>\$ 11,712,874</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,712,874</b>

(1) These funds are not rated. Investments in these funds are restricted to cash, short term obligations of the U.S. government and government backed securities.

***Local Government Surplus Funds Trust Fund (Florida PRIME)***

The Florida PRIME portion of the pool (\$8,380) is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balances within Florida Prime. As of September 30, 2014 the principal of Fund B was 100% returned.

Credit quality disclosure – Florida PRIME is rated by Standard and Poor's. The current rating is AAAM.

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 5: ACCOUNTS RECEIVABLE**

The City accrues general fund receivables based on actual receipts after year end. As a result, no allowance for doubtful accounts is recorded. At September 30, 2014, accounts receivable in the governmental funds is summarized as follows:

Total accounts receivable	\$	21,959
Less: allowance for doubtful accounts		-
Net accounts receivable	\$	21,959

Based on historical receipts and the City's ability to cut off services, it is management's opinion that all accounts receivable are collectible and therefore they have not recorded an allowance for doubtful accounts. At September 30, 2014, accounts receivable in the proprietary funds is summarized as follows:

Accounts receivable	\$	457,020
Assessments receivable		4,761
Less: allowance for doubtful accounts		-
Net accounts receivable	\$	461,781

**NOTE 6: NOTES RECEIVABLE**

The City entered into an agreement during the year ended September 30, 2011 to loan up to \$180,512, at 3% per year to a local Association to build a lift station. The Association makes monthly payments of \$1,001 starting August 1, 2011 for 20 years. The City paid the construction company directly and adding the amount paid for the Association to the loan as they incur the expense. The construction was completed in fiscal year 2012. The balance of the notes receivable as of September 30, 2014 is \$158,728.

**NOTE 7: CAPITAL ASSETS**

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

	September 30, 2013	Increases	Decreases	Transfers	September 30, 2014
Capital assets, not being depreciated					
Land	\$ 2,359,194	\$ -	\$ -	\$ -	\$ 2,359,194
Construction in progress	1,105,964	-	-	(1,105,964)	-
Total capital assets, not being depreciated	3,465,158	-	-	(1,105,964)	2,359,194

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 7: CAPITAL ASSETS (CONTINUED)**

	September 30, 2013	Increases	Decreases	Transfers	September 30, 2014
Capital assets, being depreciated					
Buildings	\$ 3,405,524	\$ -	\$ -	\$ -	\$ 3,405,524
Improvements	17,415,829	476,502	-	1,105,964	18,998,295
Machinery and equipment	5,352,325	298,518	(5,500)	-	5,645,343
<b>Total capital assets, being depreciated</b>	<b>26,173,678</b>	<b>775,020</b>	<b>(5,500)</b>	<b>1,105,964</b>	<b>28,049,162</b>
Less accumulated depreciation					
Buildings	(1,169,701)	(70,338)	-	-	(1,240,039)
Improvements	(3,605,388)	(413,587)	-	-	(4,018,975)
Machinery and equipment	(4,236,615)	(371,023)	5,500	-	(4,602,138)
<b>Total accumulated depreciation</b>	<b>(9,011,704)</b>	<b>(854,948)</b>	<b>5,500</b>	<b>-</b>	<b>(9,861,152)</b>
Capital assets, being depreciated (net of accumulated depreciation)	17,161,974	(79,928)	-	1,105,964	18,188,010
Total governmental activities' capital assets (net of accumulated depreciation)	\$ 20,627,132	\$ (79,928)	\$ -	\$ -	\$ 20,547,204

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2014:

	Water	Sewer	Sanitation	Storm water	Total
Land	\$ 220,303	\$ 1,584,148	\$ -	\$ 13,000	\$ 1,817,451
Buildings	863,954	564,764	-	-	1,428,718
Improvements	11,692,524	27,560,681	-	3,658,465	42,911,670
Machinery and equipment	1,186,654	653,806	397,932	302,078	2,540,470
Vehicles	188,953	167,771	1,066,648	53,460	1,476,832
Construction in progress	1,151,315	637,337	-	24,098	1,812,750
<b>Total</b>	<b>15,303,703</b>	<b>31,168,507</b>	<b>1,464,580</b>	<b>4,051,101</b>	<b>51,987,891</b>
Less accumulated depreciation					
Buildings	(280,397)	(467,540)	-	-	(747,937)
Improvements	(3,706,452)	(12,070,670)	-	(531,471)	(16,308,593)
Vehicles	(165,695)	(128,027)	(816,539)	(53,460)	(1,163,721)

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 7: CAPITAL ASSETS (CONTINUED)**

	Water	Sewer	Sanitation	Storm water	Total
Machinery and equipment	\$ (626,646)	\$ (429,516)	\$ (347,446)	\$ (270,574)	\$ (1,674,182)
Total accumulated Depreciation	(4,779,190)	(13,095,753)	(1,163,985)	(855,505)	(19,894,433)
Total business-type activities capital assets (net of accumulated depreciation)	\$ 10,524,513	\$ 18,072,754	\$ 300,595	\$ 3,195,596	\$ 32,093,458

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

	September 30, 2013	Increases	Decreases	Transfers	September 30, 2014
Capital assets, not being depreciated					
Land	\$ 1,817,451	\$ -	\$ -	\$ -	\$ 1,817,451
Construction in progress	1,470,095	583,329	-	(240,674)	1,812,750
Total capital assets, not being depreciated	3,287,546	583,329	-	(240,674)	3,630,201
Capital assets, being depreciated					
Buildings	1,428,718	-	-	-	1,428,718
Improvements	42,490,789	180,207	-	240,674	42,911,670
Vehicles	1,460,749	16,083	-	-	1,476,832
Machinery and equipment	2,518,164	30,689	(8,383)	-	2,540,470
Total capital assets, being depreciated	47,898,420	226,979	(8,383)	240,674	48,357,690
Less accumulated depreciation					
Buildings	(710,770)	(37,167)	-	-	(747,937)
Improvements	(15,052,388)	(1,256,205)	-	-	(16,308,593)
Vehicles	(1,068,061)	(95,660)	-	-	(1,163,721)
Machinery and equipment	(1,479,898)	(200,558)	6,274	-	(1,674,182)
Total accumulated depreciation	(18,311,117)	(1,589,590)	6,274	-	(19,894,433)
Capital assets, being depreciated (net of accumulated depreciation)	29,587,303	(1,362,611)	(2,109)	240,674	28,463,257
Total business-type activities' capital assets (net of accumulated depreciation)	\$ 32,874,849	\$ (779,282)	\$ (2,109)	\$ -	\$ 32,093,458

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 7: CAPITAL ASSETS (CONTINUED)**

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

Governmental activities	
Executive	\$ 20,542
Administration and finance	3,871
Development and planning	14,430
Public works	6,940
Other general government	153,495
Law enforcement	78,293
Fire protection	18,681
Streets	241,438
Fleet management	206,577
Library	38,187
Leisure services	40,278
Main street project	7,975
Community redevelopment	24,241
<hr/>	
Total depreciation expense – governmental activities	\$ 854,948
<hr/>	
Business-type activities	
Water	\$ 493,615
Sewer	882,844
Sanitation	91,550
Storm water	121,581
<hr/>	
Total depreciation expense – business-type activities	\$ 1,589,590
<hr/>	

**NOTE 8: INTERFUND TRANSFERS**

Interfund transfers during the year ended September 30, 2014 were as follows:

Transfers Out	Transfers In	Transfers Out	Transfers In
General fund	Debt service fund	\$ 403,673	\$ (403,673)
Water fund	General fund	300,000	(300,000)
Water fund	Sewer fund	17,500	(17,500)
Sanitation fund	General fund	300,000	(300,000)
CRA fund	Main Street fund	119,000	(119,000)
<hr/>		\$ 1,140,173	\$ (1,140,173)
<hr/>			
Total			

The transfers to the debt service fund were for the purpose of paying principal, interest and fiscal charges of the governmental type funds. The transfers to the general fund, the sewer fund, and the Main Street fund were for operating purposes.

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 9: LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES**

	Balance September 30,			Balance		Due Within
	2013	Additions	Deductions	September 30, 2014		One Year
Bonds payable	\$ 2,388,210	\$ -	\$ (177,980)	\$ 2,210,230	\$	187,240
Notes payable	520,936	-	(109,234)	411,702		112,418
Accrued compensated absences	305,194	-	(23,965)	281,229		39,372
<b>Total</b>	<b>\$ 3,214,340</b>	<b>\$ -</b>	<b>\$ (311,179)</b>	<b>\$ 2,903,161</b>	<b>\$</b>	<b>339,030</b>

***Sales Tax Revenue Refunding Bonds, Series 1997***

On November 1, 1997, the City issued \$6,470,000 sales tax revenue refunding bonds, series 1997. The bonds were issued to (1) to refund the City's outstanding sales tax refunding revenue bonds, series 1988, outstanding in the aggregate principal amount of \$2,105,000, (2) to purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 1997 bonds, (3) to pay costs of certain street improvements, and (4) to pay related costs of issuance. The series 1997 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The interest rates are from 4.7 to 5.125% and the bonds mature December 2014. Annual principal and interest payments on the bonds are 13 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$35,897. Principal and interest paid for the current year and total pledged revenues were \$201,791 and \$1,543,827, respectively.

\$ 14,910

During the year ended September 30, 1988, the City entered into refunding transactions whereby refunding bonds have been issued to facilitate the retirement of the City's obligation with respect to certain bond issues already outstanding. A certain amount of series 1997 refunding bonds have been used to refund the series 1988. These proceeds have been deposited into an irrevocable escrow account to provide payment of interest and principal on the issue being refunded. Refunded bonds are not included in the City's outstanding long-term debt since the City legally satisfied its obligation with respect thereto through consumption of the refunding transaction described herein.

***Gas Tax Revenue Refunding Bonds, Series 1998***

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

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

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

The series 1998 bonds and the interest thereon are payable solely from and secured by a pledge of and first lien on (1) the City's portion of the six-cent local option fuel tax and (2) until applied in accordance with the provisions of the resolution, any interest income in the funds and accounts established by the resolution. The interest rates are from 4.0 to 5.125% and the bonds mature October 2018. Annual principal and interest payments on the bonds are 47 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$422,000. Principal and interest paid for the current year and total pledged revenues were \$101,750 and \$215,995, respectively.

\$ 355,000

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

***Sales Tax Revenue Refunding Bonds, Series 2005***

On June 1, 2005, the City issued \$4,565,000 sales tax revenue refunding bonds, series 2005. The bonds were issued to (1) to refund a portion of the City's outstanding \$6,470,000 sales tax revenue funding bonds, series 1997, (2) to purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 2005 bonds, (3) to pay related costs of issuance. The series 2005 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The interest rates are from 3.0 to 4.2% and the bonds mature December 2027. Annual principal and interest payments on the bonds are 14 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$5,696,751. Principal and interest paid for the current year and total pledged revenues were \$210,313 and \$1,543,827, respectively.

1,840,320

Total revenue bonds payable at September 30, 2014

2,210,230

Less: revenue bonds – current portion

(187,240)

Revenue bonds – long-term at September 30, 2014

\$  
2,022,990

Debt service requirements to maturity on revenue bonds payable at September 30, 2014 are as follows:

Year ending September 30,	Principal	Interest	Total
2015	\$ 187,240	\$ 94,665	\$ 281,905
2016	189,370	86,983	276,353
2017	200,760	78,899	279,659
2018	207,890	70,384	278,274
2019	117,150	61,283	178,433

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

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

Year ending September 30,	Principal	Interest	Total
2020 - 2024	\$ 668,820	\$ 205,847	\$ 874,667
2025 - 2028	639,000	55,817	694,817
Total	\$ 2,210,230	\$ 653,878	\$ 2,864,108

**Notes Payable**

In April 2010, the City borrowed \$348,126, to finance the purchase of a fire truck. Yearly payments of \$55,562 including interest at 3.35% are required. Matures September 2016. \$ 105,702

In January 2005, the City borrowed \$800,000 to finance the purchase of a building and property. Monthly payments are required of \$5,772 including interest at 71% of the bank's prime lending rate. Matures June 2019. 306,000

Total notes payable at September 30, 2014	411,702
Less: current portion	112,418
Notes payable – long-term at September 30, 2014	\$ 299,284

Debt service requirements to maturity on notes payable at September 30, 2014 are as follows:

Year ending September 30,	Principal	Interest	Total
2015	\$ 112,418	\$ 12,214	\$ 124,632
2016	116,259	8,570	124,829
2017	64,485	4,781	69,266
2018	66,507	2,759	69,266
2019	52,033	705	52,738
Total	\$ 411,702	\$ 29,029	\$ 440,731

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

	Balance September 30, 2013	Additions	Deductions	Balance September 30, 2014	Due Within One Year
Bonds payable	\$ 17,151,789	\$ -	\$ (1,402,196)	\$ 15,749,593	\$ 1,412,760
Accrued compensated absences	78,490	470	-	78,960	11,844
Total	\$ 17,230,279	\$ 470	\$ (1,402,196)	\$ 15,828,553	\$ 1,424,604

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

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

***Sales Tax Revenue Refunding Bonds, Series 1997***

On November 1, 1997, the City issued \$6,470,000 sales tax revenue refunding bonds, series 1997. The bonds were issued to (1) to refund the City's outstanding sales tax refunding revenue bonds, series 1988, outstanding in the aggregate principal amount of \$2,105,000, (2) to purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 1997 bonds, (3) to pay costs of certain street improvements, and (4) to pay related costs of issuance. The series 1997 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The interest rates are from 4.7 to 5.125% and the bonds mature December 2014. Annual principal and interest payments on the bonds are 13 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$35,897. Principal and interest paid for the current year and total pledged revenues were \$201,791 and \$1,543,827, respectively.

\$ 20,090

During the year ended September 30, 1988, the City entered into refunding transactions whereby refunding bonds have been issued to facilitate the retirement of the City's obligation with respect to certain bond issues already outstanding. A certain amount of series 1997 refunding bonds have been used to refund the series 1988. These proceeds have been deposited into an irrevocable escrow account to provide payment of interest and principal on the issue being refunded. Refunded bonds are not included in the City's outstanding long-term debt since the City legally satisfied its obligation with respect thereto through consumption of the refunding transaction described herein.

***Capital Improvement Revenue Refunding Bonds, Series 2004***

On April 1, 2004, the City issued \$4,605,000 capital improvement revenue refunding bonds, series 2004. The bonds were issued to (1) refund all of the City's outstanding \$5,475,000 capital improvement revenue bonds, series 1996A, (2) purchase for deposit for the reserve account a surety bond in an amount equal to the reserve requirement on the series 2004 bonds and (3) pay related costs of issuance including the purchase of a municipal bond insurance policy. The series 2004 bonds are secured by a pledge of the net revenues of the system, the sewer system development charges bond service component and the water system development charges bond service component (collectively the "pledged revenues"). The lien on the series 2004 bond on the pledged revenues will be on a parity with the lien on the remaining bonds outstanding of the City's \$5,075,000 capital improvement revenue refunding bonds, series 1997 and the City's \$9,275,000 capital improvement revenue bonds, series 2000 (collectively, the Parity Obligations"). The interest rates are from 2.0 to 4.0% and the bonds mature December 2016. Annual principal and interest payments on the bonds are 13 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$1,364,600. Principal and interest paid for the current year and total pledged revenues were \$451,233 and \$3,551,998 respectively.

1,265,000

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

***Capital Improvement Revenue Refunding Bonds, Series 2005***

On March 18, 2005, the City issued \$12,415,000 capital improvement revenue refunding bonds, series 2005. The bonds were issued to (1) refund a portion of the City's outstanding \$9,275,000 capital improvement revenue bonds, series 2000, (2) to fund certain capital improvements to the system, (3) purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 2005 bonds, and (4) pay related costs of issuance. The series 2005 bonds are secured by a pledge of the net revenues of the City's water system and sewer system, the sewer system development charges bond service component, and the water system development charges bond service component. The lien of the series 2005 bonds on the pledged revenues is on a parity with the lien of the City's outstanding \$5,075,000 capital improvement revenues bonds, series 1997, the City's unrefunded \$9,275,000 capital improvement revenue bonds, series 2000 and the City's outstanding \$4,605,000 capital improvement revenue refunding bonds, series 2004. The interest rates are from 3.0 to 5.0% and the bonds mature December 2032. Annual principal and interest payments on the bonds are 28 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$10,585,255. Principal and interest paid for the current year and total pledged revenues were \$980,710 and \$3,551,998 respectively. \$ 9,795,000

***Sales Tax Revenue Refunding Bonds, Series 2005***

On June 1, 2005, the City issued \$4,565,000 sales tax revenue refunding bonds, series 2005. The bonds were issued to (1) to refund a portion of the City's outstanding \$6,470,000 sales tax revenue funding bonds, series 1997, (2) to purchase for deposit to the reserve account a surety bond in an amount equal to the reserve requirement on the series 2005 bonds, (3) to pay related costs of issuance. The series 2005 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The interest rates are from 3.0 to 4.2% and the bonds mature December 2027. Annual principal and interest payments on the bonds are 14 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$5,696,751. Principal and interest paid for the current year and total pledged revenues were \$210,313 and \$1,543,827, respectively. 2,479,680

***Capital Improvement Revenue Refunding Bonds, Series 2011***

On March of 2011, the City issued \$3,105,000 capital improvement revenue refunding bonds, series 2011. The bonds were issued to (1) to refund a portion of the City's outstanding \$2,915,000 capital improvement revenue refunding bonds, series 1997, (2) to purchase for deposit to the reserve account an insurance policy on the bonds, (3) to pay related underwriter's discount costs and costs of issuance. The series 2011 bonds are secured by a pledge of the net revenues of the City's water system and sewer system, the sewer system development charges bond service component, and the water system development charges bond service component. The interest rates are from 2.0 to 4.0% and the bonds mature December 2019. Annual principal and interest payments on the bonds are 10 percent of pledged revenues. The total principal and interest remaining to be paid on

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

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

the bonds is \$2,522,650. Principal and interest paid for the current year and total pledged revenues were \$369,375 and \$3,551,998, respectively.

\$ 2,230,000

Total principal obligation at September 30, 2014	15,789,770
Less: net discount/(premium)	(40,177)
Less: principal obligation – current portion	(1,412,760)
Principal obligation – long-term at September 30, 2014	\$ 14,336,833

Debt service requirements to maturity on revenue bonds payable at September 30, 2014 are as follows:

Year ending September 30,	Principal	Net Premium/ (Discount)	Interest	Total
2015	\$ 1,412,760	\$ 2,398	\$ 631,478	\$ 2,046,636
2016	1,455,630	2,398	578,016	2,036,044
2017	1,514,240	2,398	523,540	2,040,178
2018	1,117,110	2,398	464,382	1,583,890
2019	1,167,850	2,398	418,683	1,588,931
2020-2024	3,761,180	(18,880)	1,518,542	5,260,842
2025-2029	3,136,000	(22,874)	849,064	3,962,190
2030-2033	2,225,000	(10,413)	210,538	2,425,125
Total	\$ 15,789,770	\$ (40,177)	\$ 5,194,243	\$ 20,943,836

**NOTE 11: NET POSITION RESTRICTIONS**

The government-wide statement of net position reports \$4,277,821 of restricted net position, of which \$2,397,973 is restricted by enabling legislation. The following is a description of reported net position restrictions in governmental activities and business-type activities at September 30, 2014.

***Governmental Activities***

Restricted for law enforcement education - This restriction was created to restrict the use of all resources collected specifically for law enforcement purposes. Florida statutes restrict the use of these funds for education, training and capital purchase purposes.

Restricted for debt service - This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from the revenue accounts.

Restricted for community redevelopment – This restriction was created to restrict the use of funds provided for the City’s Community Redevelopment Agency. The funds are primarily provided from tax increment financing.

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 11: NET POSITION RESTRICTIONS (CONTINUED)**

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

***Business-type Activities***

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

Restricted for debt service - This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from the revenue accounts of the appropriate enterprise funds.

***Summary***

Specific restrictions of net position are summarized below as of September 30, 2014:

Governmental activities	
Law enforcement education	\$ 6,069
Capital repair and replacement	1,462,708
Debt service	119,509
Community redevelopment	646,294
Total	\$ 2,234,580
Business-type activities	
Capital repair and replacement	\$ 282,902
Debt service	1,760,339
Total	\$ 2,043,241

**NOTE 12: RETIREMENT PLANS**

The City's pension plans are established by various City ordinances. According to these ordinances, the City maintains three separate single employer benefit pension plans which cover general employees, police officers and firefighters. The City's ordinances governing the firefighters' and police officers' plans were written in compliance with the provisions of Florida Statutes, Chapters 175 and 185, respectively.

***Plan Description and Administration***

The City's pension plans are single employer defined benefit pension plans administered by a board of trustees. The board of trustees for each pension plan consists of two City residents appointed by the Commission, two members of the plan elected by the plan membership, and one member elected by the other four members and appointed by the Commission.

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 12: RETIREMENT PLANS (CONTINUED)**

As of September 30, 2014 the plans had the following membership breakdown:

	General Employee	Police	Firefighters
Inactive plan members or beneficiaries currently receiving benefits	20	9	5
Inactive plan members entitled to but not yet receiving benefits	11	8	0
Active plan members	94	26	21
<b>Total plan membership</b>	<b>125</b>	<b>43</b>	<b>26</b>

*Note: This is actual membership as of September 30, 2013. No significant change during 2014.*

**Benefits Provided**

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

**General Employees'**

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

**Police Officers'**

- Normal Retirement Benefits: 3.5% of average final compensation times credited service.
- Normal Retirement Age: Earlier of: 1) age 55 and 10 years of credited service, 2) attainment of age 60 or 3) the completion of 25 years of credited service, regardless of age.
- Early Retirement Benefits: Accrued benefit reduced 3% for each year that early retirement precedes normal retirement.
- Early Retirement Age: Age 45 and 10 Years of credited service.
- Vesting Schedule: 100% after 10 years of credited service.
- Vesting Benefit Amount: Members will receive the vested portion of his (her) accrued benefit at the otherwise normal retirement date.
- Disability Eligibility – Service Incurred: Covered from date of employment.
- Disability Eligibility – Nonservice Incurred: 10 years of credited service.

**NOTE 12: RETIREMENT PLANS (CONTINUED)**

- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (non-service incurred).
- Pre-Retirement Death Benefits – Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.
- Pre-Retirement Death Benefits – Nonvested: Return of member’s contributions without interest.

***Firefighters’***

- Normal Retirement Benefits: 3.5% of average final compensation times credited service.
- Normal Retirement Age: Earlier of age 55 and 10 years of credited service or 25 years of credited service regardless of age.
- Early Retirement Benefits: Accrued benefit reduced 3% for each year that early retirement precedes normal retirement.
- Early Retirement Age: Age 50 and 10 Years of credited service.
- Vesting Schedule: 100% after 10 years of credited service.
- Vesting Benefit Amount: Members will receive the vested portion of his (her) accrued benefit at the otherwise normal retirement date.
- Disability Eligibility – Service Incurred: Covered from date of employment.
- Disability Eligibility – Non-service Incurred: 10 years of credited service.
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred).
- Pre-Retirement Death Benefits – Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.
- Pre-Retirement Death Benefits – Nonvested: Return of member’s contributions without interest.

***Funding Policy***

Eligibility consists of all members of the system at the adoption date of the plan, May 14, 1991, for general employees and August 14, 1973, for police officers and firefighters, and all new full time City employees as a condition of employment.

***Contribution Obligations***

Members contribute five percent of their pretax earnings which are deposited monthly to the trust. The City contributes the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over thirty years. The State of Florida contributes any monies received by reason of the laws of the State for the purpose of funding and paying for retirement benefits.

The City made annual required contributions of \$181,950 to the firefighters plan, \$193,288 to the police officers plan, and \$798,267 to the general employees plan during the year ended September 30, 2014. The annual covered payroll for the year was \$835,714 for the firefighters, \$1,379,386 for the police officers, and \$3,698,541 for the general employees. The percentage of annual covered payroll for the year for each plan was 21.8%, 14.1%, and 21.6%, respectively.

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 12: RETIREMENT PLANS (CONTINUED)**

Other donations, gifts and contributions from sources other than the City may be deposited to the fund. Such deposits, at the discretion of the board, may be accounted for separately and kept on a segregated bookkeeping basis. Funds arising from these sources may be used for additional benefits for members, as determined by the board.

***Investment Policy***

The Board's targeted allocation policy for each pension plan as of September 30, 2014 is summarized below:

Asset class	General Employee	Police	Firefighters
Domestic equity	40%	40%	50%
International equity	15%	15%	10%
Bonds	40%	40%	0%
Core fixed income	0%	0%	40%
Treasury inflation protected securities	5%	5%	0%
<b>Total targeted allocation</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

***Investment Concentrations***

As of September 30, 2014, none of the plans held investments in any one organization that represented five percent or more of the pension plan's fiduciary net position.

***Investment Rate of Return***

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on each pension plan's investments, net of pension plan investment expense for the year ended September 30, 2014 is summarized below:

	General Employee	Police	Firefighters
Money-weighted rate of return	8.67%	8.83%	11.14%

***Deferred Retirement Option Program***

The plans have a deferred retirement option program. The requirements are that the plan participant must satisfy the normal retirement requirements and their participation in the program cannot exceed 60 months. The actual net rate of investment return (total return net of brokerage commission, and transaction costs) is credited each fiscal quarter. The DROP balance as of September 30, 2014 is \$932,304 in the general employee plan with a \$0 balance in both the police plan and the firefighters plan.

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 12: RETIREMENT PLANS (CONTINUED)**

***Net Pension Liability***

The components of the net pension liability for each pension plan of the City at September 30, 2014, were as follows:

	General Employee	Police	Firefighters
Total pension liability	\$ 17,127,557	\$ 6,488,158	\$ 5,042,034
Plan fiduciary net position	(14,835,206)	(7,165,605)	(5,204,723)
<b>City's net pension liability</b>	<b>\$ 2,292,351</b>	<b>\$ (677,447)</b>	<b>\$ (162,689)</b>

Plan fiduciary net position as a percentage of the total pension liability	86.62%	110.44%	103.23%
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***Actuarial Assumptions***

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2013 using the following actuarial assumptions applied to all measurement periods:

	General Employee	Police	Firefighters
Inflation rate	3.00%	3.00%	3.00%
Salary increases	6.00%	6.50%	6.50%
Investment rate of return	8.00%	8.00%	8.00%

Mortality rates were based on the RP-2000 tables. The general employee plan used the RP-2000 Combined Healthy (sex distinct), projected to valuation date using scale AA for each pension plan. The police and fire plans used the RP-2000 Table with no projection. This table is based on a study over 650 public safety funds and the table reflects a 10% margin for future mortality improvements with disabled lives set forward 5 years.

The actuarial assumptions used in the September 30, 2014 valuation were based on an actuarial valuation as of October 1, 2013 updated to September 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class for each pension plan included in each pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

**NOTE 12: RETIREMENT PLANS (CONTINUED)**

Asset class	General Employee	Police	Firefighters
Domestic equity	7.80%	7.80%	7.50%
International equity	2.20%	2.20%	8.50%
Bonds	3.70%	3.70%	0.00%
Core fixed income	0.00%	0.00%	2.50%
Treasury inflation protected securities	2.00%	2.00%	0.00%

***Discount Rate***

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

Discount rate	General Employee	Police	Firefighters
	8.00%	8.00%	8.00%

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

***Sensitivity of the Net Pension Liability***

The following presents the net pension liability of the City for each pension plan, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's net pension liability - General Employee Pension	\$ 4,051,706	\$ 2,292,351	\$ 798,252
City's net pension liability - Police Pension	18,293	(677,447)	(1,268,436)
City's net pension liability - Firefighter Pension	427,222	(162,689)	(657,069)

***Financial Report***

A publicly available actuarial valuation on each plan that includes required financial information may be obtained by contacting the City of Lynn Haven, 825 Ohio Avenue, Lynn Haven, Florida 32444 or by calling (850) 265-2121.

**NOTE 13: RISK MANAGEMENT**

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

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

Plan Description

The City has established the Retiree’s Health Insurance Other Postemployment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City currently has approximately 149 total active and retired employees eligible to receive these benefits. No stand alone report is issued for this plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active employee immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the City of Lynn Haven’s Commissioners. Currently, members receiving benefits pay the full cost (total premium) for medical coverage.

The contribution rates effective for eligible City plan members during the year are shown below:

<u>Coverage</u>		
Retiree	\$	863
Retiree and Spouse		2,053
Retiree & Children		1,587
Retiree and Family		2,692

**City of Lynn Haven, Florida**  
**Notes to Basic Financial Statements**

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

The City has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the City provided contributions of \$8,205 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Description		
Annual required contribution	\$	49,349
Amortization of unfunded actuarial accrued liability		-
Annual required contribution		49,349
Interest on net OPEB obligation		7,223
Adjustment to annual required contribution		(6,821)
Annual OPEB cost (expense)		49,751
Contribution toward the OPEB cost		(8,206)
Increase in net OPEB obligation		41,545
Net OPEB obligation, beginning of year		144,469
Adjustment to booked value - beginning of year		-
Net OPEB obligation, end of year	\$	186,014

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2014 was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 47,119	18%	\$ 105,607
2013	51,033	24%	144,469
2014	49,751	16%	186,014

Funding Status and Funding Progress

The funding status and funding progress information can be found in the Schedule of Funding Progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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

Actuarial Methods and Assumptions

The City had an actuarial valuation completed for the fiscal year ended September 30, 2013 dated October 1, 2012. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB actuarial valuation method used for the City was the entry age normal actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the City employees. The valuation interest rate was 5%. The actuarial assumptions also include an annual healthcare inflation rate. For the City, this rate begins with an initial rate for the 2013-14 fiscal year of 7.5% grading down to 4.5% in 2017. A payroll growth inflation assumption of 3% for all employees was used. A salary scale assumption of 6% for general and 6.5% for police and fire was used. The unfunded actuarial accrued liability is being amortized with a level percentage of payroll closed amortization over 29 years.

**NOTE 15: SUBSEQUENT EVENT**

During November 2014 the City issued a \$2.715 million capital improvement bond. This capital improvement bond is related to the proprietary funds.

**NOTE 16: PRIOR PERIOD ADJUSTMENT**

During the current year, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Per GASB 65, certain items that were previously reported assets and liabilities are now reported as outflows of resources and inflows of resources. Paragraph 15 of GASB 65 indicates that debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The City's unamortized debt issuance costs from prior fiscal years are reported as a restatement decreasing beginning net position by \$81,730 in the water fund and \$281,078 in the sewer fund.

## **Required Supplementary Information**

**City of Lynn Haven, Florida**  
**Required Supplementary Information**

**Schedule of Funding Progress for the Retiree's Health Insurance Other Postemployment Benefits Plan:**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2013	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2012	\$ 0	\$ 306,941	\$ 306,941	0.0%	\$ 5,650,762	5.4%
October 1, 2011	N/A	N/A	N/A	N/A	N/A	N/A

**Schedule of Employer Contributions for the Retiree's Health Insurance Other Postemployment Benefits Plan:**

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2012	\$ 8,258	\$ 47,119	18%
2013	12,171	51,033	24%
2014	8,205	49,751	16%

See independent auditor's report.

**City of Lynn Haven, Florida**  
**Schedule of Changes in Net Pension Liability and Related Ratios –**  
**General Employees’ Retirement System – Last Two Fiscal Years**

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

**Notes to Schedule:**

Benefit changes: There have been no benefit changes since 2013 which is the first available year of this comparison.

Changes in assumptions: There have been no changes in assumptions since 2013 which is the first available year of this comparison.

See independent auditor’s report.

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

<b>Year ended September 30,</b>	<b>2014</b>	<b>2013</b>
Actuarially Determined Contribution	\$ 816,608	\$ 730,071
Contributions in relation to the actuarially determined contribution	816,608	730,071
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 3,698,541	\$ 3,632,195
Contributions as a percentage of covered-employee payroll	22.08%	20.10%

**Notes to Schedule:**

Valuation date: October 1, 2012

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal Actuarial Cost Method
Amortization method:	Level Percentage of Pay, Closed
Remaining amortization period:	29 Years (as of 10/1/2012)
Asset valuation method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	3.00% per year.
Salary increases:	6.0% per year until the assumed retirement age. In addition, final projected salary is increased individually to account for additional non-regular payments (formerly 20%).
Interest rate:	8.00% per year compounded annually, net of investment related expenses.
Payroll growth:	5.00% per year.
Retirement age:	Attainment of age 55 and the completion of 10 years of service. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.

(Continued)

See independent auditor’s report.

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

**Notes to Schedule:**

Early retirement: Commencing with eligibility for Early Retirement Age (Age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 2.00% per year.

Termination rate: See table below under "Other information"

Disability rate: See table below under "Other information"

Mortality rate: RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA (previously static).  
 RP 2000 Disabled Mortality Table for disabled lives (previously the RP 2000 Combined Healthy table set forward 5 years).

Other information:

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

**City of Lynn Haven, Florida**

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

<b>Year Ended September 30,</b>	<b>2014</b>	<b>2013</b>
<b>Annual money-weighted rate of return net of investment expense</b>	8.67%	11.09%

See independent auditor’s report.

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

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

**Notes to Schedule:**

Benefit changes: There have been no benefit changes since 2013 which is the first available year of this comparison.

Changes in assumptions: There have been no changes in assumptions since 2013 which is the first available year of this comparison.

See independent auditor’s report.

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

<b>Year ended September 30,</b>	<b>2014</b>	<b>2013</b>
Actuarially Determined Contribution	\$ 286,402	\$ 326,646
Contributions in relation to the actuarially determined contribution	286,402	326,646
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,379,386	\$ 1,266,068
Contributions as a percentage of covered-employee payroll	20.76%	25.80%

**Notes to Schedule:**

Valuation date: October 1, 2012

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Frozen Entry Age Actuarial Cost Method
Amortization method:	Level Percentage of Pay, Closed
Remaining amortization period:	29 Years (as of 10/1/2012)
Asset valuation method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	3.00% per year.
Salary increases:	6.5% per year until the assumed retirement age. In addition, final projected salary is increased individually to account for additional non-regular payments (formerly 20%).
Interest rate:	8.00% per year compounded annually, net of investment related expenses.
Payroll growth:	3.00% per year.
Retirement age:	Earlier of: 1) age 55 and 10 years of service, 2) 25 years of service, regardless of age, or 3) attainment of age 60. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.

(Continued)

See independent auditor’s report.

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

**Notes to Schedule:**

Early retirement: Commencing with eligibility for Early Retirement Age (Age 45 with 10 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Termination rate: See table below under "Other information"

Disability rate: See table below under "Other information"

Mortality rate: RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

Other information:

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

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

<b>Year ended September 30,</b>	<b>2014</b>	<b>2013</b>
<b>Annual money-weighted rate of return net of investment expense</b>	8.83%	10.99%

See independent auditor’s report.

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

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

**Notes to Schedule:**

Benefit changes: There have been no benefit changes since 2013 which is the first available year of this comparison.

Changes in assumptions: There have been no changes in assumptions since 2013 which is the first available year of this comparison.

See independent auditor’s report.

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

<b>Year ended September 30,</b>	<b>2014</b>	<b>2013</b>
Actuarially Determined Contribution	\$ 233,462	\$ 228,481
Contributions in relation to the actuarially determined contribution	233,462	228,481
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 835,712	\$ 766,714
Contributions as a percentage of covered-employee payroll	27.94%	29.80%

**Notes to Schedule:**

Valuation date: October 1, 2012

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Frozen Entry Age Cost Method
Amortization method:	Level Percentage of Pay, Closed
Remaining amortization period:	29 Years (as of 10/1/2012)
Asset valuation method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	3.00% per year.
Salary increases:	6.5% per year until the assumed retirement age. In addition, final projected salary is increased individually to account for additional non-regular payments (formerly 20%).
Interest rate:	8.00% per year compounded annually, net of investment related expenses.
Payroll growth:	3.00% per year.
Retirement age:	Earlier age 55 and 10 years of service or 25 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.

(Continued)

See independent auditor’s report.

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

**Notes to Schedule:**

Early retirement: Commencing with eligibility for Early Retirement Age (Age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5.00% per year.

Termination rate: See table below under "Other information"

Disability rate: See table below under "Other information"

Mortality rate: RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

Other information:

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

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

<b>Year ended September 30,</b>	<b>2014</b>	<b>2013</b>
<b>Annual money-weighted rate of return net of investment expense</b>	11.14%	10.38%

See independent auditor’s report.

## **Combining Statements**

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

<b>September 30, 2014</b>	<b>Community Redevelopment</b>	<b>Main Street</b>	<b>Debt Service</b>	<b>Other Governmental Funds Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 646,294	\$ 26,567	\$ -	\$ 672,861
Cash and cash equivalents - restricted	-	-	119,509	119,509
<b>Total assets</b>	<b>\$ 646,294</b>	<b>\$ 26,567</b>	<b>\$ 119,509</b>	<b>\$ 792,370</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 24	\$ -	\$ 24
<b>Total liabilities</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>24</b>
<b>Fund balances</b>				
Restricted	646,294	-	119,509	765,803
Assigned	-	26,543	-	26,543
<b>Total fund balances</b>	<b>646,294</b>	<b>26,543</b>	<b>119,509</b>	<b>792,346</b>
<b>Total liabilities and fund balances</b>	<b>\$ 646,294</b>	<b>\$ 26,567</b>	<b>\$ 119,509</b>	<b>\$ 792,370</b>

See independent auditor's report.

**City of Lynn Haven, Florida**

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

<b>Year Ended September 30, 2014</b>	<b>Community Redevelopment</b>	<b>Main Street</b>	<b>Debt Service</b>	<b>Other Governmental Funds Total</b>
<b>Revenues</b>				
Taxes				
Property taxes	\$ 220,020	\$ -	\$ -	\$ 220,020
Interest	420	146	120	686
Other fees and miscellaneous	-	2,689	-	2,689
<b>Total revenues</b>	<b>220,440</b>	<b>2,835</b>	<b>120</b>	<b>223,395</b>
<b>Expenditures</b>				
Current				
Development and planning	44,601	122,625	-	167,226
Capital outlay	186,340	-	-	186,340
Debt service				
Principal	-	-	287,214	287,214
Interest and fiscal charges	-	-	114,495	114,495
<b>Total expenditures</b>	<b>230,941</b>	<b>122,625</b>	<b>401,709</b>	<b>755,275</b>
Excess (deficiency) of revenues over (under) expenditures	(10,501)	(119,790)	(401,589)	(531,880)
<b>Other financing sources (uses)</b>				
Transfers in	-	119,000	403,673	522,673
Transfers out	(119,000)	-	-	(119,000)
<b>Net other financing sources (uses)</b>	<b>(119,000)</b>	<b>119,000</b>	<b>403,673</b>	<b>403,673</b>
<b>Net changes in fund balances</b>	<b>(129,501)</b>	<b>(790)</b>	<b>2,084</b>	<b>(128,207)</b>
<b>Fund balances - beginning</b>	<b>775,795</b>	<b>27,333</b>	<b>117,425</b>	<b>920,553</b>
<b>Fund balances - ending</b>	<b>\$ 646,294</b>	<b>\$ 26,543</b>	<b>\$ 119,509</b>	<b>\$ 792,346</b>

See independent auditor's report.

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

<b>September 30, 2014</b>	<b>Firefighters Relief and Pension Trust Fund</b>	<b>Police Officers Pension Trust Fund</b>	<b>General Employees Pension Trust Fund</b>	<b>Total</b>
<b>Assets</b>				
Investment savings	\$ 5,099,671	\$ 7,064,130	\$ 14,897,968	\$ 27,061,769
Interest receivable	17,702	-	-	17,702
Contributions receivable	104,243	113,349	-	217,592
<b>Total assets</b>	<b>5,221,616</b>	<b>7,177,479</b>	<b>14,897,968</b>	<b>27,297,063</b>
<b>Liabilities</b>				
Prepaid City contributions	16,894	11,874	62,762	91,530
<b>Total liabilities</b>	<b>16,894</b>	<b>11,874</b>	<b>62,762</b>	<b>91,530</b>
<b>Net position</b>				
Held in trust for pension benefits	\$ 5,204,722	\$ 7,165,605	\$ 14,835,206	\$ 27,205,533

See independent auditor's report.

**City of Lynn Haven, Florida**

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

<b>Year Ended September 30, 2014</b>	<b>Firefighters Relief and Pension Trust Fund</b>	<b>Police Officers Pension Trust Fund</b>	<b>General Employees Pension Trust Fund</b>	<b>Total</b>
<b>Additions</b>				
Contributions				
Employer	\$ 181,950	\$ 193,288	\$ 798,267	\$ 1,173,505
Plan members	41,786	68,969	184,927	295,682
State	104,243	113,349	-	217,592
Settlements	-	20	29	49
<b>Total contributions</b>	<b>327,979</b>	<b>375,626</b>	<b>983,223</b>	<b>1,686,828</b>
Investment income				
Net increase in fair value of investments	454,989	423,507	875,834	1,754,330
Interest	64,263	4	9	64,276
Dividends	72,927	146,800	304,527	524,254
	592,179	570,311	1,180,370	2,342,860
Less investment expenses				
Professional fees	51,110	28,490	31,613	111,213
Insurance	2,020	2,401	2,758	7,179
Bank charges	7,866	10,305	8,789	26,960
Miscellaneous	-	1,092	-	1,092
<b>Net investment earnings</b>	<b>531,183</b>	<b>528,023</b>	<b>1,137,210</b>	<b>2,196,416</b>
<b>Total additions</b>	<b>859,162</b>	<b>903,649</b>	<b>2,120,433</b>	<b>3,883,244</b>
<b>Deductions</b>				
Benefits	147,647	192,870	239,183	579,700
Refunds of contributions	4,687	12,419	41,355	58,461
<b>Total deductions</b>	<b>152,334</b>	<b>205,289</b>	<b>280,538</b>	<b>638,161</b>
<b>Change in net position</b>	<b>706,828</b>	<b>698,360</b>	<b>1,839,895</b>	<b>3,245,083</b>
<b>Net position - beginning</b>	<b>4,497,894</b>	<b>6,467,245</b>	<b>12,995,311</b>	<b>23,960,450</b>
<b>Net position - ending</b>	<b>\$ 5,204,722</b>	<b>\$ 7,165,605</b>	<b>\$ 14,835,206</b>	<b>\$ 27,205,533</b>

See independent auditor's report.

## **Compliance Section**

## **INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

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

### Report on the Financial Statements

We have audited the financial statements of the City of Lynn Haven, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 3, 2015.

### Auditor's Responsibility

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.

### Other Report

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated March 3, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Lynn Haven, Florida, is incorporated under the provisions of the State of Florida (Laws of Florida, 1951, CH. 27685, Sec. 5). The City of Lynn Haven, Florida included the following component units:

The Lynn Haven Community Redevelopment Agency is operated by the City. The Agency was created on May 25, 2004 by City Resolution 2004-05-350 pursuant to Florida Statute 163.387.

Lynn Haven Main Street, Inc. is operated by the City. The Organization was created on July 27, 2010 by City Resolution 2010-07-506 pursuant to Florida Statute 617.0302.

### Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Lynn Haven, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Lynn Haven, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Lynn Haven, Florida'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.

### Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Lynn Haven, Florida for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

### Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### Purpose of this Letter

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

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

Certified Public Accountants  
Panama City Beach, Florida  
March 3, 2015



## INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the City of Lynn Haven, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for the City of Lynn Haven, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Lynn Haven, Florida's compliance based on our examination.

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

In our opinion, the City of Lynn Haven, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants  
Panama City Beach, Florida  
March 3, 2015

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Lynn Haven, Florida's basic financial statements, and have issued our report thereon dated March 3, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lynn Haven, Florida's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lynn Haven, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lynn Haven, Florida'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

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

Certified Public Accountants  
Panama City Beach, Florida  
March 3, 2015