

CITY OF LYNN HAVEN, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021



**CITY OF LYNN HAVEN, FLORIDA
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SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter – Federal Investigation

As discussed in Note (14) to the financial statements, during the year ended September 30, 2019, the City was severely impacted by Hurricane Michael. As a result of activities that occurred during the recovery efforts subsequent to landfall of Hurricane Michael, multiple former members of the City's management and the former mayor had various criminal charges brought against them related to fraudulent transactions with certain City vendors. The financial statements do not include any adjustment that might result from the outcome of this matter. Our opinions are not modified with respect to this matter.

Emphasis of Matter – Prior Period Restatements

As discussed in Note (12) to the financial statements, during the year ended September 30, 2021, the City identified certain errors with regard to accruals in the prior year financial statements and changed the revenue recognition criteria for certain utility tax receivables. As a result, certain beginning fund balance and net position balances as of September 30, 2020, have been restated in the current year financial statements. Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Other Information

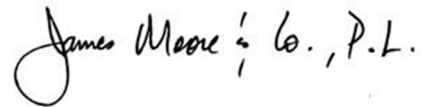
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Tallahassee, Florida
March 22, 2022

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management of the City of Lynn Haven, Florida (hereinafter referred to as the “City”) offers the readers of these basic financial statements this narrative overview and analysis of the City’s financial activities for the fiscal year ended September 30, 2021. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. The City encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Financial Highlights

- The total assets of the City of Lynn Haven, Florida exceeded its liabilities at the close of the most recent fiscal year by \$92,567,156 (net position). Of this amount, \$15,252,504 (unrestricted net position) may be used to meet the City’s ongoing obligations to citizens and creditors.
- The City’s total net position increased (decreased) by \$18,681,771 in fiscal year 2021, after restatements to beginning net position. Net position of the City’s governmental activities increased (decreased) by \$16,415,110, while net position of its business type activities increased (decreased) by \$2,266,661.
- The City’s governmental funds reported a combined ending fund balance of \$42,758,822 at the end of the current fiscal year, which increased (decreased) by \$3,443,358 in comparison to the \$39,315,464 (as restated) reported at the end of the prior fiscal year. Approximately \$13,136,775 of this amount is available for spending at the City’s discretion (unassigned fund balance).
- At the end of the 2021 fiscal year, unassigned fund balance for the General Fund was \$13,136,617 or 76% of the total fiscal year 2021 General Fund expenditures of \$17,279,771.
- The City’s total long-term debt obligations decreased by \$9,085,345 during the fiscal year, due to the payments on bonds and notes payable related to the Hurricane Michael recovery. The City’s combined long-term commitment for compensated absences totaled \$655,463 at year-end.

Overview of the Financial Statements

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

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Financial Analysis of the City as a Whole

Net Position. As noted previously, net position may serve over time as a useful indicator of a government's financial position. This year, the City's combined total assets exceeded liabilities (net position) by \$92,567,156 at the end of 2021, compared to \$75,944,058 as restated at the end of 2020. This represents a total increase (decrease) of \$18,681,771 or 25% from the amount reported at the end of the prior fiscal year.

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

Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 48,769,013	\$ 43,681,669	\$ 18,426,770	\$ 17,319,005	\$ 67,195,783	\$ 61,000,674
Net pension asset	3,978,052	1,206,006	209,151	-	4,187,203	1,206,006
Capital assets	43,693,782	40,054,552	49,690,321	49,912,221	93,384,103	89,966,773
Total assets	<u>\$ 96,440,847</u>	<u>\$ 84,942,227</u>	<u>\$ 68,326,242</u>	<u>\$ 67,231,226</u>	<u>\$ 164,767,089</u>	<u>\$ 152,173,453</u>
DEFERRED OUTFLOWS	<u>\$ 753,451</u>	<u>\$ 1,302,253</u>	<u>\$ 401,835</u>	<u>\$ 590,160</u>	<u>\$ 1,155,286</u>	<u>\$ 1,892,413</u>
LIABILITIES						
Current liabilities	\$ 6,171,911	\$ 2,885,335	\$ 2,494,309	\$ 1,245,565	\$ 8,666,220	\$ 4,130,900
Noncurrent liabilities:	36,929,481	46,827,552	22,717,186	25,639,555	59,646,667	72,467,107
Total liabilities	<u>\$ 43,101,392</u>	<u>\$ 49,712,887</u>	<u>\$ 25,211,495</u>	<u>\$ 26,885,120</u>	<u>\$ 68,312,887</u>	<u>\$ 76,598,007</u>
DEFERRED INFLOWS	<u>\$ 4,315,217</u>	<u>\$ 1,360,615</u>	<u>\$ 727,115</u>	<u>\$ 163,186</u>	<u>\$ 5,042,332</u>	<u>\$ 1,523,801</u>
NET POSITION						
Net investment in capital assets	\$ 37,496,063	\$ 32,637,310	\$ 26,321,178	\$ 25,634,811	\$ 63,817,241	\$ 58,272,121
Restricted	6,721,852	4,273,755	6,775,559	5,356,549	13,497,411	9,630,304
Unrestricted	5,559,774	(1,740,087)	9,692,730	9,781,720	15,252,504	8,041,633
Total net position	<u>\$ 49,777,689</u>	<u>\$ 35,170,978</u>	<u>\$ 42,789,467</u>	<u>\$ 40,773,080</u>	<u>\$ 92,567,156</u>	<u>\$ 75,944,058</u>

The most significant component of the City's net position (approximately 69%) is, by far, its investment in capital assets (land, infrastructure, buildings, and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (15%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 16% of unrestricted net position, represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, and totaled \$15,252,504 at year-end, compared to \$8,041,633 in 2020. The main reason for the increase from the prior year was due to the continued recovery from the financial effects from Hurricane Michael, which impacted the City in October 2018.

The City's unrestricted net position for its governmental activities increased from a deficit of (\$1,740,087) to a positive balance of \$5,559,774, again due to the impacts of Hurricane Michael and continued recovery.

Changes in Net Position. While the statement of net position shows a snapshot of the City's financial position at the end of the fiscal year, the statement of changes in net position provides answers as to the nature and source of those changes. During 2021, total revenues were \$45,971,420 compared to \$38,085,051 in the prior year. Approximately 10% of the City's revenue came from property taxes, 20% from other taxes and fees, 27% came from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues, including substantial FEMA reimbursements related to Hurricane Michael. The reason for the substantial increase in total revenue is due to the magnitude of insurance and FEMA reimbursements received in 2021 following continued recovery efforts from Hurricane Michael and the forgiveness of a \$5 million loan from FEMA in 2021.

During 2021, expenses were \$27,289,649 as opposed to \$29,920,470 in the prior year, for a decrease of approximately 9% due to decreased impacts of Hurricane Michael related disaster recovery expenses (\$5.6 million in 2020 versus \$2.3 million in 2021). City-wide, public safety expenses accounted for approximately 24% of the City's expenses, water, sewer, stormwater, and sanitation expenses collectively were 38%. The other functions, including the general government, planning and code enforcement, transportation, economic environment, and culture and recreation each individually totaled close to or less than 10% of expenses relative to the City as a whole.

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

**Changes in Net Position
For the Fiscal Years Ended September 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Property taxes	4,618,234	3,874,792	\$ -	\$ -	\$ 4,618,234	\$ 3,874,792
Other taxes and fees	9,046,233	8,072,390	-	-	9,046,233	8,072,390
Charges for services	1,421,238	1,153,418	10,999,379	10,289,902	12,420,617	11,443,320
Intergovernmental and grants	17,569,278	12,190,791	1,930,972	1,653,339	19,500,250	13,844,130
Other revenues	272,642	687,648	113,444	162,771	386,086	850,419
Total revenues	<u>32,927,625</u>	<u>25,979,039</u>	<u>13,043,795</u>	<u>12,106,012</u>	<u>45,971,420</u>	<u>38,085,051</u>
EXPENSES						
General government	1,998,806	1,677,840	-	-	1,998,806	1,677,840
Planning and code enforcement	400,943	431,214	-	-	400,943	431,214
Public safety	6,434,669	6,689,592	-	-	6,434,669	6,689,592
Transportation	1,865,952	1,697,063	-	-	1,865,952	1,697,063
Economic environment	408,526	317,568	-	-	408,526	317,568
Culture and recreation	2,108,830	1,620,050	-	-	2,108,830	1,620,050
Disaster recovery	2,322,578	5,684,534	-	-	2,322,578	5,684,534
Water utility	-	-	3,004,606	3,165,213	3,004,606	3,165,213
Sewer utility	-	-	3,557,506	2,985,470	3,557,506	2,985,470
Stormwater utility	-	-	1,411,506	1,570,499	1,411,506	1,570,499
Sanitation	-	-	2,273,778	2,649,359	2,273,778	2,649,359
Interest expense	972,211	965,309	529,738	466,759	1,501,949	1,432,068
Total expenses	<u>16,512,515</u>	<u>19,083,170</u>	<u>10,777,134</u>	<u>10,837,300</u>	<u>27,289,649</u>	<u>29,920,470</u>
Income before transfers	<u>16,415,110</u>	<u>6,895,869</u>	<u>2,266,661</u>	<u>1,268,712</u>	<u>18,681,771</u>	<u>8,164,581</u>
Transfers	-	-	-	-	-	-
Change in net position	<u>16,415,110</u>	<u>6,895,869</u>	<u>2,266,661</u>	<u>1,268,712</u>	<u>18,681,771</u>	<u>8,164,581</u>
Net position, beginning of year	<u>33,362,579</u>	<u>28,275,109</u>	<u>40,522,806</u>	<u>39,504,368</u>	<u>73,885,385</u>	<u>67,779,477</u>
Net position, end of year	<u>\$ 49,777,689</u>	<u>\$ 35,170,978</u>	<u>\$ 42,789,467</u>	<u>\$ 40,773,080</u>	<u>\$ 92,567,156</u>	<u>\$ 75,944,058</u>

*Certain 2021 beginning of year net position amounts have been restated. 2020 amounts are shown as presented in the prior year financial statements.

Governmental Activities

Revenues for the City's governmental activities totaled \$32,927,625 in 2021. This represents an increase of nearly \$7 million from than last year's reported revenues of \$25,979,039, and is primarily related to the grant and insurance reimbursements related to Hurricane Michael in the prior year in the aftermath of the storm.

Governmental activities expenses totaled \$16,512,515, which decreased over \$2.5 million from the prior year due to less overall impacts of Hurricane Michael.

Business-Type Activities

The major source of operating revenues for the City's business-type activities is charges for services (water, sewer, stormwater, sanitation), which during the year increased to a total of \$10,999,379, an increase from utility billings of \$10,289,902 in 2020 due to more consumption in the aftermath of Hurricane Michael in 2021.

Total operating expenses of the proprietary funds in 2021 totaled \$10,777,134, compared to \$10,837,300 in 2020, a decrease of \$60k, primarily due to decreased sanitation expenses.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the City completed the year, its governmental funds reported a combined fund balance of \$42,758,822, which was an increase (decrease) of \$3,443,358 compared with the amount reported last year. This increase was primarily related to grant/insurance reimbursements relative to disaster recovery expenditures related to Hurricane Michael; the majority of such amounts included in the City's fund balance are restricted for the disaster recovery and debt repayment.

The general fund is the chief operating fund of the City. As of September 30, 2021, the unassigned fund balance in the general fund totaled \$13,136,617. This unassigned fund balance represents approximately 77% of the City's spending requirements experienced during 2021.

The City's community redevelopment fund had a fund balance of \$518,911 at the end of the year, an increase (decrease) of \$70,349 from the prior year. All amount held in this fund are restricted for reinvestment in the community redevelopment district.

The Disaster Recovery fund, which was established in 2019, had an ending fund balance of \$24,043,904, an increase (decrease) of \$1,828,472 from the prior year, and all of which was restricted and related to debt proceeds and grant/insurance reimbursements in excess of disaster recovery expenditures. The ending fund balance in the Disaster Recovery Fund is expected to be fully expended over of course of the coming years to facilitate rebuilding of City property damaged by Hurricane Michael.

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

Charges for services in the proprietary funds increased \$940k from the prior year, with similar increases observed in the water, sewer, and stormwater funds due to increased customer activity in the ongoing recovery efforts following Hurricane Michael.

General Fund Budgetary Highlights

Electric Utility Tax collections were \$407,845 above budget and Sales Taxes were \$812,567 above budget. Various grants were not received in FY 2021 for a shortfall of \$2 million. Insurance proceeds were not received in FY 2021 for a shortfall of \$5 million. All departments had budget savings during FY 2021 due to delayed projects and cost cutting measures.

All of these factors combined resulted in a \$1,547,920 increase to General Fund Balance for Fiscal Year 2020.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2021, the City had nearly \$90 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. See Note (6) for further information on the City's capital assets.

Long-Term Debt. The City has various notes and bonds payable totaling \$59,801,364 at year-end, compared to \$68,886,709 one year earlier. The proceeds of these loans, which included a \$5 million disaster recovery loan drawn in the current year and additional amounts drawn over various preceding years including a \$31 million bond issue in 2019 related to the recovery from Hurricane Michael, were used to finance various capital improvements. Under these agreements, the City must repay these loans with semiannual payments.

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

Economic Factors and Next Year's Budgets and Rates

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

- The most recent estimates available for unemployment data in Bay County Florida are compiled by the Florida Department of Economic Opportunity. Preliminary numbers for January 2022 show Bay County with a not seasonally adjusted rate of 3.4% which is significantly lower than last year's numbers. Hiring new and retaining existing staff continues to be a challenge during these economic times.
- 95% of the budgeted Property Tax revenue for FY 2022 has been collected as of March 2022. The approved millage rate of 4.1 will be adequate to meet budget projections. No preliminary evaluations have been received from the Bay County Property Appraiser as of March 2022. The necessity for a millage rate adjustment will be analyzed in the coming months.
- The City issued the following development orders during Fiscal Year 2022: 0 Single Family Homes, 8 Commercial properties and 588 Multi-Family homes.

- The fiscal year 2022 adopted budget for all funds utilized the prior year's final adopted budget and the City's actual financial results as the baseline from which priority setting and decisions were made to formulate the new budget. The final budget was further modified to reflect changing revenues projections and anticipated changes in expenditure trends.
- Significant inflationary trends for Bay County are consistent with those trends experienced at the state and national levels and will influence future budgeting, especially for building materials, electricity and fuel.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the City of Lynn Haven Finance Department, 901 C Ohio Ave, Lynn Haven, FL 32444. Information can also be obtained at the City's website at www.cityoflynnhaven.com or via email to cityhall@cityoflynnhaven.com.

CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 20,801,736	\$ 10,270,405	\$ 31,072,141
Receivables, net	370,232	1,074,245	1,444,477
Due from other governments	2,788,036	-	2,788,036
Notes receivable	-	83,979	83,979
Inventories	50,006	102,782	152,788
Prepays	165,155	40,003	205,158
Restricted assets:			
Equity in pooled cash	24,593,848	6,855,356	31,449,204
Net pension asset	3,978,052	209,151	4,187,203
Capital assets:			
Capital assets, not being depreciated	11,013,098	6,430,505	17,443,603
Other capital assets, net of depreciation	32,680,684	43,259,816	75,940,500
Total assets	<u>\$ 96,440,847</u>	<u>\$ 68,326,242</u>	<u>\$ 164,767,089</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ -	\$ 349,502	\$ 349,502
Deferred outflows related to pensions	680,494	28,945	709,439
Deferred outflows related to OPEB	72,957	23,388	96,345
Total deferred outflows	<u>\$ 753,451</u>	<u>\$ 401,835</u>	<u>\$ 1,155,286</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 840,702	\$ 491,816	\$ 1,332,518
Customer deposits	11,094	510,780	521,874
Unearned revenue	5,158,395	145,311	5,303,706
Accrued interest payable	89,096	79,797	168,893
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	3,199,450	1,246,097	4,445,547
Compensated absences	72,624	20,508	93,132
Due in more than one year:			
Bonds and notes payable	32,883,269	22,472,548	55,355,817
Compensated absences	446,116	116,215	562,331
Total OPEB liability	400,646	128,423	529,069
Net pension liability	-	-	-
Total liabilities	<u>\$ 43,101,392</u>	<u>\$ 25,211,495</u>	<u>\$ 68,312,887</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 4,295,419	\$ 720,771	\$ 5,016,190
Deferred inflows related to OPEB	19,798	6,344	26,142
Total deferred inflows of resources	<u>\$ 4,315,217</u>	<u>\$ 727,115</u>	<u>\$ 5,042,332</u>
NET POSITION			
Net investment in capital assets	\$ 37,496,063	\$ 26,321,178	\$ 63,817,241
Restricted for:			
Pensions	1,370,367	-	1,370,367
Law enforcement education	6,393	-	6,393
Capital expansion	2,472,523	5,628,981	8,101,504
Infrastructure	2,353,658	-	2,353,658
Debt service	-	1,146,578	1,146,578
Community redevelopment	518,911	-	518,911
Unrestricted	5,559,774	9,692,730	15,252,504
Total net position	<u>\$ 49,777,689</u>	<u>\$ 42,789,467</u>	<u>\$ 92,567,156</u>

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

**CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,998,806	\$ 447,453	\$ 5,205,465	\$ 1,956,540	\$ 5,610,652	\$ -	\$ 5,610,652
Planning and code enforcement	400,943	499,180	-	-	98,237	-	98,237
Public safety	6,434,669	375,572	20,560	222,371	(5,816,166)	-	(5,816,166)
Transportation	1,865,952	-	488,268	81,016	(1,296,668)	-	(1,296,668)
Economic environment	408,526	-	-	-	(408,526)	-	(408,526)
Culture and recreation	2,108,830	99,033	148,810	89,380	(1,771,607)	-	(1,771,607)
Disaster recovery	2,322,578	-	8,320,435	-	5,997,857	-	5,997,857
Interest on long-term debt	972,211	-	-	-	(972,211)	-	(972,211)
Total governmental activities	16,512,515	1,421,238	14,183,538	2,349,307	1,441,568	-	1,441,568
Business-type activities:							
Water	3,149,028	4,196,356	28,200	359,842	-	1,435,370	1,435,370
Sewer	3,820,237	3,647,126	-	1,440,699	-	1,267,588	1,267,588
Stormwater	1,534,091	421,163	-	102,231	-	(1,010,697)	(1,010,697)
Sanitation	2,273,778	2,823,826	-	-	-	550,048	550,048
Total business-type activities	10,777,134	11,088,471	28,200	1,902,772	-	2,242,309	2,242,309
Total primary government	<u>\$ 27,289,649</u>	<u>\$ 12,509,709</u>	<u>\$ 14,211,738</u>	<u>\$ 4,252,079</u>	<u>1,441,568</u>	<u>2,242,309</u>	<u>3,683,877</u>
General revenues:							
Property taxes					4,618,234	-	4,618,234
Sales taxes					2,665,770	-	2,665,770
Infrastructure surtax					2,532,172	-	2,532,172
Communications service tax					542,651	-	542,651
Casualty and fire insurance premium taxes					270,689	-	270,689
Public service taxes					1,565,845	-	1,565,845
Other taxes					110,663	-	110,663
Franchise fees					1,358,443	-	1,358,443
State revenue sharing					1,036,433	-	1,036,433
Investment earnings					57,199	24,352	81,551
Miscellaneous revenues					215,443	-	215,443
Total general revenues and transfers					<u>14,973,542</u>	<u>24,352</u>	<u>14,997,894</u>
Change in net position					16,415,110	2,266,661	18,681,771
Net position - beginning of year, as restated					33,362,579	40,522,806	73,885,385
Net position - ending of year					<u>\$ 49,777,689</u>	<u>\$ 42,789,467</u>	<u>\$ 92,567,156</u>

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

**CITY OF LYNN HAVEN, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	<u>General</u>	<u>Community Redevelopment</u>	<u>Disaster Recovery</u>	<u>American Rescue Plan Act</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Equity in pooled cash and cash equivalents	\$ 17,043,052	\$ 553,398	\$ 22,643,163	\$ 5,140,168	\$ 15,803	\$ 45,395,584
Receivables, net	370,232	-	-	-	-	370,232
Due from other governments	1,306,542	-	1,481,494	-	-	2,788,036
Inventories	50,006	-	-	-	-	50,006
Prepaid items	5,000	-	160,155	-	-	165,155
Total assets	<u>\$ 18,774,832</u>	<u>\$ 553,398</u>	<u>\$ 24,284,812</u>	<u>\$ 5,140,168</u>	<u>\$ 15,803</u>	<u>\$ 48,769,013</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 565,307	\$ 34,487	\$ 240,908	\$ -	\$ -	\$ 840,702
Customer deposits	11,094	-	-	-	-	11,094
Unearned revenue	18,385	-	-	5,140,010	-	5,158,395
Total liabilities	<u>594,786</u>	<u>34,487</u>	<u>240,908</u>	<u>5,140,010</u>	<u>-</u>	<u>6,010,191</u>
FUND BALANCES						
Nonspendable:						
Inventories	50,006	-	-	-	-	50,006
Prepaid items	5,000	-	160,155	-	-	165,155
Restricted for:						
Law enforcement education	6,393	-	-	-	-	6,393
Capital expansion	2,472,523	-	-	-	-	2,472,523
Infrastructure	2,353,658	-	-	-	-	2,353,658
Disaster recovery and relief	-	-	23,883,749	-	-	23,883,749
Debt service	-	-	-	-	15,803	15,803
Community redevelopment	-	518,911	-	-	-	518,911
Assigned to:						
Subsequent year's budget	155,849	-	-	-	-	155,849
Unassigned	13,136,617	-	-	158	-	13,136,775
Total fund balances	<u>18,180,046</u>	<u>518,911</u>	<u>24,043,904</u>	<u>158</u>	<u>15,803</u>	<u>42,758,822</u>
Total liabilities and fund balances	<u>\$ 18,774,832</u>	<u>\$ 553,398</u>	<u>\$ 24,284,812</u>	<u>\$ 5,140,168</u>	<u>\$ 15,803</u>	<u>\$ 48,769,013</u>

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

CITY OF LYNN HAVEN, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Fund balances - total governmental funds \$ 42,758,822

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Total governmental capital assets	60,580,212	
Less: accumulated depreciation	<u>(16,886,430)</u>	43,693,782

On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension asset	3,978,052	
Deferred outflows related to pensions	680,494	
Deferred inflows related to pensions	<u>(4,295,419)</u>	363,127

On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.

Total OPEB liability	(400,646)	
Deferred outflows related to OPEB	72,957	
Deferred inflows related to OPEB	<u>(19,798)</u>	(347,487)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:

Bonds and notes payable	(36,082,719)	
Accrued interest payable	(89,096)	
Compensated absences	<u>(518,740)</u>	(36,690,555)

Net position of governmental activities		<u><u>\$ 49,777,689</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General	Community Redevelopment	Disaster Recovery	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 9,635,007	\$ 365,034	\$ -	\$ -	\$ -	\$ 10,000,041
Permits and fees	2,430,193	-	-	-	-	2,430,193
Intergovernmental	3,952,589	-	7,885,162	-	-	11,837,751
Charges for services	2,326,241	-	-	-	-	2,326,241
Fines and forfeitures	115,130	-	-	-	-	115,130
Investment income	22,216	815	34,021	158	24	57,234
Miscellaneous	150,074	-	-	-	273	150,347
Total revenues	18,631,450	365,849	7,919,183	158	297	26,916,937
Expenditures						
Current:						
General government	3,364,183	-	-	-	-	3,364,183
Planning and code enforcement	805,515	-	-	-	-	805,515
Public safety	6,251,202	-	-	-	-	6,251,202
Transportation	1,310,020	-	-	-	-	1,310,020
Economic environment	129,303	202,711	-	-	-	332,014
Culture and recreation	1,936,125	-	-	-	-	1,936,125
Disaster recovery	3,266	-	2,316,292	-	3,838	2,323,396
Capital outlay	2,141,969	92,789	1,623,007	-	-	3,857,765
Debt service:						
Principal retirement	1,185,190	-	2,028,268	-	-	3,213,458
Interest and fiscal charges	152,998	-	832,544	-	-	985,542
Total expenditures	17,279,771	295,500	6,800,111	-	3,838	24,379,220
Excess (deficiency) of revenues over expenditures	<u>1,351,679</u>	<u>70,349</u>	<u>1,119,072</u>	<u>158</u>	<u>(3,541)</u>	<u>2,537,717</u>
Other financing sources (uses)						
Proceeds from insurance recoveries	196,241	-	435,000	-	-	631,241
Issuance of long-term debt	-	-	274,400	-	-	274,400
Total other financing sources (uses)	196,241	-	709,400	-	-	905,641
Net change in fund balances	<u>1,547,920</u>	<u>70,349</u>	<u>1,828,472</u>	<u>158</u>	<u>(3,541)</u>	<u>3,443,358</u>
Fund balances, beginning of year, as restated	16,632,126	448,562	22,215,432	-	19,344	39,315,464
Fund balances, end of year	<u>\$ 18,180,046</u>	<u>\$ 518,911</u>	<u>\$ 24,043,904</u>	<u>\$ 158</u>	<u>\$ 15,803</u>	<u>\$ 42,758,822</u>

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

CITY OF LYNN HAVEN, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds **\$ 3,443,358**

Differences in amounts reported for governmental activities in the statement of activities are:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Capital outlay expenditures	3,857,765
Depreciation expense	(2,015,223)
Contributed capital assets	1,956,540

Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position.

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position.

These amounts are as follows:

Principal repayment of general long-term debt	3,213,458
Forgiveness of general long-term debt	5,205,465
Issuance of governmental long-term debt	(274,400)

Governmental funds report contributions to defined benefit pension plans as expenditures.

However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.

Change in net pension liability and deferred inflows/outflows related to pensions	1,097,707
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:

Change in accrued interest on long-term debt	12,919
Change in compensated absences liability	(49,718)
Change in total OPEB liability	(32,761)

Change in net position of governmental activities	\$ 16,415,110
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Stormwater	Sanitation	Total
ASSETS					
Equity in pooled cash and cash equivalents	\$ 5,276,401	\$ 516,632	\$ 723,253	\$ 3,754,119	\$ 10,270,405
Accounts receivable, net	416,234	384,777	20,717	252,517	1,074,245
Due from other governments	-	-	-	-	-
Notes receivable	-	83,979	-	-	83,979
Inventories	100,314	-	-	2,468	102,782
Prepaid items	11,374	28,629	-	-	40,003
Restricted current assets					
Equity in pooled cash	357,968	834,912	133,014	-	1,325,894
Total current assets	6,162,291	1,848,929	876,984	4,009,104	12,897,308
Noncurrent assets:					
Restricted cash	1,341,790	3,635,075	552,597	-	5,529,462
Capital assets:					
Land	332,211	968,620	13,000	-	1,313,831
Construction in progress	2,231,779	2,137,505	747,390	-	5,116,674
Buildings	760,731	549,156	-	-	1,309,887
Improvements	18,976,346	38,414,962	8,845,129	-	66,236,437
Machinery and equipment	1,839,638	2,424,799	599,498	2,308,834	7,172,769
Accumulated depreciation	(8,280,956)	(19,370,369)	(2,200,043)	(1,607,909)	(31,459,277)
Total capital assets, net	15,859,749	25,124,673	8,004,974	700,925	49,690,321
Net pension asset	81,651	48,350	40,428	38,722	209,151
Total noncurrent assets	17,283,190	28,808,098	8,597,999	739,647	55,428,934
Total assets	<u>\$ 23,445,481</u>	<u>\$ 30,657,027</u>	<u>\$ 9,474,983</u>	<u>\$ 4,748,751</u>	<u>\$ 68,326,242</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on bond refunding	\$ 164,587	\$ 184,915	\$ -	\$ -	\$ 349,502
Deferred outflows related to pensions	11,300	6,691	5,595	5,359	28,945
Deferred outflows related to OPEB	8,115	5,125	4,601	5,547	23,388
Total deferred outflows of resources	<u>\$ 184,002</u>	<u>\$ 196,731</u>	<u>\$ 10,196</u>	<u>\$ 10,906</u>	<u>\$ 401,835</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 172,211	\$ 118,832	\$ 112,610	\$ 88,163	\$ 491,816
Deposits	510,780	-	-	-	510,780
Unearned revenue	145,311	-	-	-	145,311
Compensated absences	11,437	3,384	3,419	2,268	20,508
Payable from restricted assets:					
Current maturities on long-term debt	325,975	787,108	133,014	-	1,246,097
Accrued interest payable	31,993	47,804	-	-	79,797
Total current liabilities	1,197,707	957,128	249,043	90,431	2,494,309
Noncurrent liabilities:					
Bonds and notes payable, net	5,898,815	11,974,215	4,599,518	-	22,472,548
Compensated absences	64,812	19,178	19,375	12,850	116,215
Total OPEB liability	44,559	28,142	25,263	30,459	128,423
Total noncurrent liabilities	6,008,186	12,021,535	4,644,156	43,309	22,717,186
Total liabilities	<u>\$ 7,205,893</u>	<u>\$ 12,978,663</u>	<u>\$ 4,893,199</u>	<u>\$ 133,740</u>	<u>\$ 25,211,495</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	\$ 281,385	\$ 166,622	\$ 139,323	\$ 133,441	\$ 720,771
Deferred inflows related to OPEB	2,201	1,390	1,248	1,505	6,344
Total deferred inflows of resources	<u>\$ 283,586</u>	<u>\$ 168,012</u>	<u>\$ 140,571</u>	<u>\$ 134,946</u>	<u>\$ 727,115</u>
NET POSITION					
Net investment in capital assets	\$ 9,799,546	\$ 12,548,265	\$ 3,272,442	\$ 700,925	\$ 26,321,178
Restricted for debt service	465,256	681,322	-	-	1,146,578
Restricted for capital expansion	1,202,509	3,740,861	685,611	-	5,628,981
Unrestricted	4,672,693	736,635	493,356	3,790,046	9,692,730
Total net position	<u>\$ 16,140,004</u>	<u>\$ 17,707,083</u>	<u>\$ 4,451,409</u>	<u>\$ 4,490,971</u>	<u>\$ 42,789,467</u>

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

CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Stormwater	Sanitation	Total
Operating revenues					
Charges for services	\$ 4,129,513	\$ 3,625,427	\$ 420,613	\$ 2,823,826	\$ 10,999,379
Other revenues	66,843	21,699	550	-	89,092
Total operating revenues	4,196,356	3,647,126	421,163	2,823,826	11,088,471
Operating expenses					
Personal services	947,383	541,904	531,436	438,971	2,459,694
Operating expenses	1,476,213	1,915,687	620,695	1,640,181	5,652,776
Depreciation	581,010	1,099,915	259,375	194,626	2,134,926
Total operating expenses	3,004,606	3,557,506	1,411,506	2,273,778	10,247,396
Operating income (loss)	1,191,750	89,620	(990,343)	550,048	841,075
Nonoperating revenues (expenses)					
Interest earnings	8,615	8,929	1,983	4,825	24,352
Intergovernmental grants	28,200	-	-	-	28,200
Interest and amortization expense	(144,422)	(262,731)	(122,585)	-	(529,738)
Total nonoperating revenues (expenses)	(107,607)	(253,802)	(120,602)	4,825	(477,186)
Income (loss) before contributions and transfers	1,084,143	(164,182)	(1,110,945)	554,873	363,889
Capital contributions	359,842	1,440,699	102,231	-	1,902,772
Transfers in	-	1,127,812	1,394,743	-	2,522,555
Transfers out	(1,191,028)	-	(1,127,812)	(203,715)	(2,522,555)
Change in net position	252,957	2,404,329	(741,783)	351,158	2,266,661
Net position, beginning of year, as restated	15,887,047	15,302,754	5,193,192	4,139,813	40,522,806
Net position, end of year	<u>\$ 16,140,004</u>	<u>\$ 17,707,083</u>	<u>\$ 4,451,409</u>	<u>\$ 4,490,971</u>	<u>\$ 42,789,467</u>

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

CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Stormwater	Sanitation	Total
Cash flows from operating activities					
Cash received from customers	\$ 4,365,563	\$ 3,604,176	\$ 439,973	\$ 2,780,623	\$ 11,190,335
Cash paid to employees	(1,002,748)	(615,527)	(560,676)	(485,137)	(2,664,088)
Cash paid to suppliers	(1,386,045)	(2,185,309)	(568,911)	(1,601,199)	(5,741,464)
Net cash provided by (used in) operating activities	<u>1,976,770</u>	<u>803,340</u>	<u>(689,614)</u>	<u>694,287</u>	<u>2,784,783</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	-	1,394,743	-	1,394,743
Transfers to other funds	(1,191,028)	-	-	(203,715)	(1,394,743)
Intergovernmental grant proceeds	28,200	-	-	-	28,200
Net cash provided by (used in) noncapital financing activities	<u>(1,162,828)</u>	<u>-</u>	<u>1,394,743</u>	<u>(203,715)</u>	<u>28,200</u>
Cash flows from capital and related financing activities					
Impact fees	359,842	1,440,699	102,231	-	1,902,772
Acquisition and construction of capital assets	(338,701)	(918,074)	(317,055)	(298,455)	(1,872,285)
Principal payments of long-term debt	(393,295)	(639,257)	(129,668)	-	(1,162,220)
Proceeds from issuance of long-term debt	116,299	122,222	-	-	238,521
Interest paid	(135,269)	(258,478)	(122,585)	-	(516,332)
Net cash provided by (used in) capital and related financing activities	<u>(391,124)</u>	<u>(252,888)</u>	<u>(467,077)</u>	<u>(298,455)</u>	<u>(1,409,544)</u>
Cash flows from investing activities					
Interest received	8,615	8,929	1,983	4,825	24,352
Net change in cash and cash equivalents	<u>431,433</u>	<u>559,381</u>	<u>240,035</u>	<u>196,942</u>	<u>1,427,791</u>
Cash and cash equivalents, beginning of year	<u>6,544,726</u>	<u>4,427,238</u>	<u>1,168,829</u>	<u>3,557,177</u>	<u>15,697,970</u>
Cash and cash equivalents, end of year	<u>\$ 6,976,159</u>	<u>\$ 4,986,619</u>	<u>\$ 1,408,864</u>	<u>\$ 3,754,119</u>	<u>\$ 17,125,761</u>
Cash and cash equivalents classified as:					
Unrestricted	\$ 5,276,401	\$ 516,632	\$ 723,253	\$ 3,754,119	\$ 10,270,405
Restricted	1,699,758	4,469,987	685,611	-	6,855,356
Total cash and cash equivalents	<u>\$ 6,976,159</u>	<u>\$ 4,986,619</u>	<u>\$ 1,408,864</u>	<u>\$ 3,754,119</u>	<u>\$ 17,125,761</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 1,191,750	\$ 89,620	\$ (990,343)	\$ 550,048	\$ 841,075
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	581,010	1,099,915	259,375	194,626	2,134,926
Changes in assets and liabilities:					
Accounts receivable	(365,298)	(49,659)	18,810	(43,203)	(439,350)
Due from other governments	473,460	-	-	-	473,460
Notes receivable	-	9,342	-	-	9,342
Inventories	(18,912)	-	-	308	(18,604)
Prepaid items	1,018	3,145	-	-	4,163
Accounts payable and accrued liabilities	108,062	(272,767)	51,784	38,674	(74,247)
Deposits	61,045	-	-	-	61,045
Unearned revenue	-	(2,633)	-	-	(2,633)
Compensated absences	9,247	4,203	(774)	(6,129)	6,547
Net pension liability	(69,212)	(81,269)	(27,445)	(45,498)	(223,424)
Total OPEB liability	4,600	3,443	(1,021)	5,461	12,483
Net cash provided by (used in) operating activities	<u>\$ 1,976,770</u>	<u>\$ 803,340</u>	<u>\$ (689,614)</u>	<u>\$ 694,287</u>	<u>\$ 2,784,783</u>

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

CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2021

	Pension Trust Funds
ASSETS	
Cash and cash equivalents with trustee	\$ 1,572,380
Prepaid benefit payments	3,982
Receivables	
Employer contributions receivable	13,949
Employee contributions receivable	47,494
Due from broker	850,000
Interest and dividends receivable	27,061
Total receivables	938,504
Investments, at fair value	
Corporate and municipal debt obligations	1,658,396
Corporate equity securities	2,409,183
Mutual funds - fixed income	7,441,263
Mutual funds - equity	28,600,838
Real estate funds	3,126,962
Total investments	43,236,642
Total assets	\$ 45,751,508
LIABILITIES	
Accounts payable	\$ 9,031
Total liabilities	\$ 9,031
NET POSITION	
Restricted for pensions	\$ 45,742,477

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

CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,133,504
Plan members	383,336
State - insurance premium taxes	270,689
Total contributions	<u>1,787,529</u>
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	7,182,312
Interest and dividends	755,411
Total investment earnings	<u>7,937,723</u>
Less: investment expense	<u>(150,862)</u>
Net investment income (loss)	<u>7,786,861</u>
Total additions	<u>9,574,390</u>
Deductions	
Benefit payments and refunds	1,967,698
Administrative expenses	107,414
Total deductions	<u>2,075,112</u>
Change in net position	<u>7,499,278</u>
Net position restricted for pensions, beginning of year	38,243,199
Net position restricted for pensions, end of year	<u><u>\$ 45,742,477</u></u>

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) Summary of Significant Accounting Policies:

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

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

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

The Lynn Haven Community Redevelopment Agency (the Agency) is operated by the City. The Agency was created on May 25, 2004, by City Resolution 2004-05-350 pursuant to Florida Statute 163.387, to account for the receipt and expenditure of property tax revenues from the tax increment financing district to support City redevelopment in the designated community redevelopment area. Since the City is financially accountable for the activities of the Agency, its governing board is the same, and its relationship to the City is significant, its financial activities are reported on a blended basis as if it were part of the primary government as a major special revenue fund.

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

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

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

(d) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, other intergovernmental revenues, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

The City reports the following major governmental funds:

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

American Rescue Plan Act Fund—The American Rescue Plan Act Fund accounts for the receipt and expenditure related to funds received from the American Rescue Plan Act.

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

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

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

- i. On or before September 15th, the City Manager submits a preliminary budget to the City Commission for the ensuing fiscal year.
- ii. Budget workshop sessions are scheduled by the City Commission, as needed.
- iii. A general summary of the budget and notice of public hearing is made available to the public.
- iv. Prior to October 1st, the budget is legally enacted through passage of a resolution.
- v. The City Commission, by resolution, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- vi. The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers.
- vii. Budgetary control is exercised at the fund level.
- viii. Every appropriation lapses at the close of the fiscal year.

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

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

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

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

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

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

(i) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial threshold of \$5,000 for equipment, and a threshold of \$100,000 for buildings and infrastructure and all land and land improvements in accordance with state policy, and an estimated useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50 years
Improvements	50 years
Machinery and equipment	5 – 15 years

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

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

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

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

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

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

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

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

(m) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has multiple items, deferred loss on bond refunding in the proprietary funds and government-wide statement of net position, and deferred outflows related to pensions and OPEB, which qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pensions are discussed further in Note (11) and deferred outflows related to OPEB are discussed further in Note (10).

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

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

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

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

(3) Deposits and Investments:

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

The Local Government Surplus Trust Funds or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01.

Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Interest bearing time deposits or savings accounts in qualified public depositories as defined in Chapter 280, Florida Statutes.

Direct obligations of the United States Treasury.

Deposits include cash on hand and amounts held in the City's demand accounts. At September 30, 2021, the carrying amount of the City's deposits was \$31,089,123. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City's custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(3) Deposits and Investments: (Continued)

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

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

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

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

Pension Plan Investments

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

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

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

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(3) Deposits and Investments: (Continued)

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

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

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

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

Real Estate Funds—Valued based upon the asset category and include discounted cash flow, direct capitalization sales approach, and cash equivalency and appraisals of underlying assets.

Units in the American Core Realty Fund (the Core Fund) are offered and sold by means of a private placement offering conducted in compliance with Rule 506 of Regulation D under the Securities Act of 1933, as amended. The Core Fund is an open-end diversified core commingled real estate fund that invests in private real estate and is structured as a Delaware limited partnership. As a result, the Police Officers' Retirement Trust Fund owns units in the Core Fund, and the Core Fund holds no securities on behalf of the Retirement Plan's account in the Core Fund. Units are purchased and redeemed through periodic transactions and the value of the units purchased or sold in such transactions is based on the unit value applicable to the valuation date at which each individual transaction occurred.

As of September 30, 2021, all of the Core Fund's investments were categorized as Level 3. Valuation techniques used to determine fair value for the assets in the Core Fund vary based on the asset category and include discounted cash flow, direct capitalization sales approach, and cash equivalency.

Requests for redemptions of units in the American Core Realty Fund may be made at any time, with 10 business day's notification by submitting a Redemption Notice form signed by a representative of the respective pension plan, and are effective at the end of the calendar quarter in which the request is received by American Realty Advisors (ARA). The units that are subject to a redemption notice may be redeemed in full or in installments on a pro-rata basis as funds become available for such purpose and the redemption price will be the value per unit based on ARA's estimate of the fair value of the Core Fund's net assets as computed under generally accepted accounting principles at such time that each payment is made. Although ARA is required to use reasonable efforts to cause the Core Fund to pay the redemption price as soon as practicable after the effective date of the request, redemptions are subject to the availability of cash flow arising from investment transactions, sales and other fund operations occurring in the normal course of business. ARA is not required to liquidate or encumber assets or defer investments in order to satisfy redemption requests. As of September 30, 2021, there were no unfunded commitments.

A summary of investments held at fair value as of September 30, 2021, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at fair value				
Corporate and municipal debt obligations	\$ 1,658,396	\$ -	\$ 1,658,396	\$ -
Corporate equity securities	2,409,183	2,409,183	-	-
Mutual funds - fixed income	7,441,263	7,441,263	-	-
Mutual funds - equity	28,600,838	28,600,838	-	-
Real estate funds	3,126,962	-	-	3,126,962
Total investments	<u>\$ 43,236,642</u>	<u>\$ 38,451,284</u>	<u>\$ 1,658,396</u>	<u>\$ 3,126,962</u>

The pension plans also held a total of \$1,572,380 of cash and cash equivalents held in the pension trust funds.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(3) Deposits and Investments: (Continued)

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

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies and credit rating limitations are in place through the plan investment policies. All investments rated within the investment policy guidelines at September 30, 2021.

Concentration of Credit Risk: The City's pension plans have varying limitations on investment in single-issuers as discussed in the authorized investments note. At September 30, 2021, the investment portfolios met the single issuer limitations.

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for up to 20-25% percent of its investments in common stock, capital stock and convertible securities at market value in foreign securities. At September 30, 2021, the investment portfolios met the foreign securities limitations.

(4) Accounts Receivable:

The City's receivables consisted of the following at September 30, 2021:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund	\$ 370,232	\$ -	\$ 370,232
Disaster Recovery Fund	-	-	-
Total – Governmental Activities	<u>370,232</u>	<u>-</u>	<u>370,232</u>
Business-Type Activities:			
Water Fund	437,236	(21,002)	416,234
Sanitation Fund	267,160	(14,643)	252,517
Stormwater Fund	21,880	(1,163)	20,717
Sewer Fund	406,584	(21,807)	384,777
Totals – Business-Type Activities	<u>1,132,860</u>	<u>(58,615)</u>	<u>1,074,245</u>
Totals	<u>\$ 1,503,092</u>	<u>\$ (58,615)</u>	<u>\$ 1,444,477</u>

In addition to accounts receivable, the City also recorded \$2,788,036 in due from other governments at September 30, 2021, of which part consists 1,481,494 of Federal and State reimbursements related to Hurricane Michael which impacted the City in early fiscal year 2019. These amounts reflect management's best estimate of recoveries based on costs incurred and approved project worksheets, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(5) Interfund Loans and Transfers:

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. At September 30, 2021, the City did not have individual fund interfund receivables and payables for the primary government.

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

For the year ended September 30, 2021, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Business-type Activities:		
Water Fund:		
Stormwater Fund	\$ -	\$ 1,191,028
Sanitation Fund:		
Stormwater Fund	-	203,715
Sewer Fund:		
Stormwater Fund	1,127,812	-
Stormwater Fund:		
Sewer Fund	-	1,127,812
Sanitation Fund	203,715	-
Water Fund	1,191,028	-
Totals – All Funds	<u>\$ 2,522,555</u>	<u>\$ 2,522,555</u>

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2021, is as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,912,242	\$ 1,956,540	\$ (62,000)	\$ 4,806,782
Construction in progress	4,508,681	1,697,635	-	6,206,316
Total assets not being depreciated	<u>7,420,923</u>	<u>3,654,175</u>	<u>(62,000)</u>	<u>11,013,098</u>
Capital assets being depreciated:				
Buildings	4,280,768	-	-	4,280,768
Improvements	34,376,349	276,839	-	34,653,188
Machinery and equipment	8,721,817	1,941,886	(30,544)	10,633,159
Total assets being depreciated	<u>47,378,934</u>	<u>2,218,725</u>	<u>(30,544)</u>	<u>49,567,115</u>
Less accumulated depreciation for:				
Less: accumulated depreciation	(14,905,157)	(2,015,223)	33,949	(16,886,431)
Total capital assets being depreciated, net	<u>32,473,777</u>	<u>203,502</u>	<u>3,405</u>	<u>32,680,684</u>
Governmental activities capital assets, net	<u>\$ 39,894,700</u>	<u>\$ 3,857,677</u>	<u>\$ (58,595)</u>	<u>\$ 43,693,782</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(6) Capital Assets: (Continued)

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,313,831	\$ -	\$ -	\$ 1,313,831
Construction in progress	14,695,836	1,058,968	(10,638,130)	5,116,674
Total assets not being depreciated	<u>16,009,667</u>	<u>1,058,968</u>	<u>(10,638,130)</u>	<u>6,430,505</u>
Capital assets being depreciated:				
Buildings	1,309,887	-	-	1,309,887
Improvements	55,498,334	10,738,103	-	66,236,437
Machinery and equipment	6,539,676	633,093	-	7,172,769
Total assets being depreciated	<u>63,347,897</u>	<u>11,371,196</u>	<u>-</u>	<u>74,719,093</u>
Less accumulated depreciation for:				
Less: accumulated depreciation	<u>(29,430,358)</u>	<u>(2,134,926)</u>	<u>106,007</u>	<u>(31,459,277)</u>
Total capital assets being depreciated, net	<u>33,917,539</u>	<u>9,236,270</u>	<u>106,007</u>	<u>43,259,816</u>
Business-type activities capital assets, net	<u>\$ 49,927,206</u>	<u>\$ 10,295,238</u>	<u>\$(10,532,123)</u>	<u>\$ 49,690,321</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 237,264
Public safety	428,649
Public works	909,131
Economic environment	95,962
Culture and recreation	344,217
Total depreciation expense - governmental activities	<u>\$ 2,015,223</u>

Business-type activities:

Water	\$ 581,010
Sewer	1,099,915
Stormwater	259,375
Sanitation	194,626
Total depreciation expense - business-type activities	<u>\$ 2,134,926</u>

(7) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable	\$ 44,227,242	\$ 274,400	\$ (8,418,923)	\$ 36,082,719	\$ 3,199,450
Compensated absences	469,022	888,444	(838,726)	518,740	72,624
Total long-term liabilities	<u>\$ 44,696,264</u>	<u>\$ 1,162,844</u>	<u>\$ (9,257,649)</u>	<u>\$ 36,601,459</u>	<u>\$ 3,272,074</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(7) Long-Term Liabilities: (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds payable	\$ 9,888,410	\$ -	\$ (690,810)	\$ 9,197,600	\$ 711,550
Discounts / premiums	213,226	-	(16,583)	196,643	-
Net bonds payable	10,101,636	-	(707,393)	9,394,243	711,550
Notes payable	14,557,831	238,521	(471,950)	14,324,402	534,547
Compensated absences	130,176	241,963	(235,416)	136,723	20,508
Total long-term liabilities	<u>\$ 24,789,643</u>	<u>\$ 480,484</u>	<u>\$ (1,414,759)</u>	<u>\$ 23,855,368</u>	<u>\$ 1,266,605</u>

Bonds and notes payable in the City's governmental activities at September 30, 2021, were comprised of the following obligations:

Sales Tax Revenue Refunding Bonds, Series 2016, issued to (1) refund the City's outstanding sales tax revenue refunding bonds, series 2005, (2) fund a required deposit to the reserve account through purchase of a reserve account insurance policy, and (3) pay related costs of issuance. The series 2016 bonds are payable solely from and secure by an irrevocable pledge of the City's half-cent sales tax revenues. The bonds are split 43%/57% between governmental/business type activities. The interest rates are from 1.6% to 2.3% and the bonds mature December 2027. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2021, was \$1,022,400.

Sales Surtax Revenue Bonds, Series 2017, issued for the purpose of financing and reimbursing the City for certain costs associated with construction of various road and adjacent infrastructure projects. The series 2017 bonds are payable solely from and secured by the sales surtax revenues and until applied in accordance with the provisions of the bond agreement, all moneys, including investments thereof, in the revenue fund, project fund, and sinking fund. The stated interest rate is 2.18% and the bond matures in January 2027. Bonds are due in payments of interest semi-annually on January 31st and July 31st. The outstanding balance at September 30, 2021, was \$2,364,000.

Sale Surtax Revenue Bonds, Series 2018, issued for the purpose of financing and reimbursing the City for certain costs associated with construction of various road and adjacent infrastructure projects. The series 2018 bonds are payable solely from and secured by the sales surtax revenues and until applied in accordance with the provisions of the bond agreement, all moneys, including investments thereof, in the revenue fund, project fund, and sinking fund. The stated interest rate is 2.35% and the bond matures in January 2027. Bonds are due in payments of interest semi-annually on January 31st and July 31st. The outstanding balance at September 30, 2021, was \$2,811,319.

Taxable Revenue Bonds, Series 2019, issued for the purpose of funding cost related to damage caused by Hurricane Michael. The series 2019 bonds are payable and secured by non-ad valorem revenues budgeted and appropriated by the City. The interest rates are from 2.2% to 3% and the bonds mature August 2034. Bonds are due in payments of interest annually on August 1st with payments beginning in 2021. The outstanding balance at September 30, 2021, was \$29,885,000.

Community Disaster Loan, issued for the purpose of financing and reimbursing the City for lost revenue due to damage caused by Hurricane Michael. The stated interest rate is 0.375% and the note matures in May 2025. Note payment of interest and principal due at date of maturity. The loan was forgiven in full during the year ending September 30, 2021.

In February 2020, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$1,000,000 loan for emergency work related to damage caused by Hurricane Michael. at an interest rate of 1.29% per year for 20 years. The first semi-annual payment is due July 15, 2020. \$750,000 was forgiven during the year-end 2020 as part of the loan agreement. The loan is collateralized by the pledged revenues of the water and sewer system. The loan was forgiven in full during the year ending September 30, 2021.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(7) Long-Term Liabilities: (Continued)

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 3,199,450	\$ 929,360	\$ 4,128,810
2023	3,281,580	842,573	4,124,153
2024	3,356,840	774,105	4,130,945
2025	3,423,840	703,965	4,127,805
2026	2,807,289	627,994	3,435,283
2027-2031	12,213,720	2,115,902	14,329,622
2032-2034	7,800,000	469,344	8,269,344
Total	<u>\$ 36,082,719</u>	<u>\$ 6,463,243</u>	<u>\$ 42,545,962</u>

Bonds payable in the City's business-type activities at September 30, 2021, were comprised of the following obligations:

Capital Improvement Revenue Bonds, Series 2014, were issued to (1) design, construct, and acquire improvements to the City's water and wastewater system, (2) fund the reserve account, and 3) pay related cost of issuance. The series 2014 bonds are secured by a pledge of the net revenues of the City's water system and sewer system, the sewer system development charges bond service component, and the water system development charges bond service component. The lien on the series 2014 bond on the pledged revenues is on a parity with the lien on the remaining bonds outstanding of the City's capital improvement revenue refunding bonds, series 2004; the City's capital improvement revenue refunding bond, series 2011; and the City's capital improvement revenue refunding bonds, series 2015. The interest rates are from 2.0% to 4.0% and the bonds mature in December 2034. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2021, was \$2,255,000.

Capital Improvement Revenue Refunding Bonds, Series 2015, were issued to (1) refund a portion of the City's outstanding Capital Improvement Revenue Bonds, Series 2005, (2) fund a required deposit to the reserve account through the purchase of a reserve accounting insurance policy, (3) and pay related costs of issuance. The series 2015 bonds are secured by a pledge of the net revenues of the City's water system and sewer system deployment charges bond service component, and the water system development charges bond service component. The lien on the series 2015 bond on the pledged revenues is on a parity with the lien on the remaining bonds outstanding of the City's capital improvement revenue refunding bonds, series 2004; the City's capital improvement revenue refunding bonds series 2005; the City's capital improvement revenue refunding bonds series 2011; and the City's capital improvement revenues bond, series 2014. The interest rates are from 2.0% to 4.25% and the bonds mature December 2032. Bonds are due in payments of interest semi-annually on December 1st and May 31st. The outstanding balance at September 30, 2021, was \$1,440,000.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Sales Tax Revenue Refunding Bonds, Series 2016, were issued to (1) refund the City's outstanding sales tax revenue refunding bonds, series 2005, (2) fund a required deposit to the reserve account through purchase of a reserve account insurance policy, and (3) pay related costs of issuance. The series 2016 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The bonds are split 43%/57% between governmental/business type activities. The interest rates are from 1.6% to 2.3% and the bonds mature December 2027. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2021, was \$1,377,600.

Capital Improvement Revenue Refunding Bonds, Series 2017 were issued to (1) refund the City's outstanding Capital Improvement Refunding Revenue Bonds, Series 2005, 2) fund a required deposit to the Reserve Account through purchase of a reserve account insurance policy, and (3) pay related costs of issuance. The series 2017 bonds are secured by a pledge of the net revenues of the City's water system and sewer system, the sewer system development charges bond service component, and the water system development charges bond service component. The lien on the series 2017 bond on the pledged revenues is on parity with the lien on the City's capital improvement revenue refunding bonds, series 2011; the City's capital improvement revenues bond, series 2014; and the City's capital improvement revenue refunding bonds, series 2015. The interest rates are from 2% to 3% and the bonds mature December 2032. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2021, was \$4,125,000.

Notes payable in the City's business-type activities at September 30, 2021, were comprised of the following obligations:

In June 2018, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$2,360,651 loan for a water main replacement at an interest rate of 1.31% per year for 20 years. The first semi-annual payment is due December 15, 2019. The loan is collateralized by the pledged revenues of the water and sewer system. The outstanding balance at September 30, 2021, was \$3,141,470.

In June 2018, the City entered into an agreement with the State of Florida, Department of Environmental Protection for a \$4,550,022 loan for a wastewater rehabilitation project at an interest rate of 0.93% per year for 20 years. The first semiannual payment is due March 15, 2021. The loan is collateralized by the pledged revenues of the water and sewer system. The outstanding balance at September 30, 2021, was \$6,450,400.

In August of 2015, the City approved a change order for \$3,720,000 for a storm water project which the contractor agreed to finance over 30 years at an interest rate of 2.55%. The project was started in fiscal year 2016 and completed during 2017. The promissory note was signed in March 2017 which is when payments on the loan began. The note requires monthly payments and matures March 2047. The outstanding balance at September 30, 2021, was \$4,732,532.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(7) Long-Term Liabilities: (Continued)

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

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2022	\$ 1,246,097	\$ 462,067	\$ 1,708,164
2023	1,336,853	438,222	1,775,075
2024	1,371,165	413,267	1,784,432
2025	1,394,884	386,298	1,781,182
2026	1,421,622	356,412	1,778,034
2027-2031	6,949,697	1,335,856	8,285,553
2032-2036	5,422,298	599,708	6,022,006
2037-2041	3,072,150	263,961	3,336,111
2042-2046	1,165,546	95,721	1,261,267
2047-2049	141,690	1,242	142,932
Total	<u>\$ 23,522,002</u>	<u>\$ 4,352,754</u>	<u>\$ 27,874,756</u>

(8) Commitments and Contingencies:

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2021. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

(9) Risk Management:

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

(10) Other Postemployment Benefits (OPEB):

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

Plan Membership—At September 30, 2019, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Employees	160
Covered Spouses	1
Inactive Employees	5
	166

Total OPEB Liability—The City’s total OPEB liability of \$529,069 was measured as of September 30, 2020, and was determined by an actuarial valuation as of September 30, 2019.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	Varies by service
Discount rate	2.14%
Healthcare cost trend rate	7.5%
	Ultimate rate reached in 2075 4.0%

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

For the fiscal year ended September 30, 2021, changes in the total OPEB liability were as follows:

Balance at September 30, 2020	\$ 433,872
Changes for a year:	
Service cost	38,416
Interest	16,559
Differences between expected and actual experience	-
Changes of assumptions	59,916
Benefit payments – implicit rate subsidy	(19,694)
Net changes	<u>95,197</u>
Balance at September 30, 2021	<u>\$ 529,069</u>

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

The following presents the total OPEB liability of the City calculated using the discount rate of 3.58%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 577,119	\$ 529,069	\$ 486,389

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

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (3.00%-6.50%) or 1% higher (5.00%-8.50%) than the current healthcare cost trend rates (4.00%-7.50%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 469,927	\$ 529,069	\$ 599,916

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$70,115. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,797
Contributions subsequent to measurement date	71,474	-
Changes of assumptions	24,871	20,345
Total	<u>\$ 96,345</u>	<u>\$ 26,142</u>

Deferred outflows for contributions subsequent to the measurement date will be recognized in fiscal year 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	Amortization
2022	\$ 6,890
2023	6,890
2024	6,890
2025	6,894
2026	9,206
Thereafter	8,562

(11) Employee Retirement Systems and Pension Funds:

Defined Benefit Plans

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

Plan Description and Administration

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

Benefits Provided and Employees Covered

Each Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries in accordance with the respective plan provisions. Each of the Plans has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year. Current membership in the employee retirement plans was composed of the following at October 1, 2020:

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Employees Plan</u>
Inactive plan members or beneficiaries receiving benefits	18	8	46
Inactive plan members entitled to but not yet receiving benefits	18	1	43
Active participants	<u>38</u>	<u>17</u>	<u>110</u>
Total current membership	<u><u>74</u></u>	<u><u>26</u></u>	<u><u>199</u></u>

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

Police Officers Plan

- Normal Retirement Benefits: 3.5% of average final compensation times credited service
- Normal Retirement Age: Earlier of: 1) age 55 and 10 years of credited service, 2) attainment of age 60 or 3) the completion of 25 years of credited service, regardless of age
- Early Retirement Benefits: Accrued benefit reduced 3% for each year that early retirement precedes normal retirement
- Early Retirement Age: Age 45 and 10 Years of credited service
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred) or 25% of average final compensation (nonservice incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non contributions without interest
- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is not currently funded per mutual consent between the City and membership.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Firefighters Plan

- Normal Retirement Benefits: 3.5% of average final compensation times credited service
- Normal Retirement Age: Earlier of age 55 and 10 years of credited service or 25 years of credited service regardless of age
- Early Retirement Benefits: Accrued benefit reduced 3% for each year that early retirement precedes normal retirement
- Early Retirement Age: Age 50 and 10 Years of credited service
- Vesting Schedule: 100% after 10 years of credited service
- Vesting Benefit Amount: Members will receive the vested portion of accrued benefit at the otherwise normal retirement date
- Disability Eligibility Service Incurred: Covered from date of employment
- Disability Eligibility Nonservice Incurred: 10 years of credited service
- Disability Benefit: Benefit accrued to date of disability but not less than 42% of average final compensation (service incurred)
- Pre-Retirement Death Benefits Vested: Monthly accrued benefit payable to designated beneficiary for 10 years
- Pre-Retirement Death Benefits Non
- Share Plan: Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is currently not funded.

General Employees Plan

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Contributions

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

For the year ended September 30, 2021, contributions to the City's pension plans were as follows:

	Police Plan	Fire Plan	General Employees Plan	Total
Employee contributions	\$ 94,376	\$ 52,194	\$ 236,766	\$ 383,336
City contributions	128,300	218,422	786,782	1,133,504
State contributions	170,305	100,384	-	270,689
Total contributions	<u>\$ 392,981</u>	<u>\$ 371,000</u>	<u>\$ 1,023,548</u>	<u>\$ 1,787,529</u>

Investment Policy

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2021:

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

Net Pension Liability

The components of the net pension liability of the pension plans at September 30, 2021, were as follows:

	Police Plan	Fire Plan	General Employees Plan	Total
Total pension liability	\$ 10,104,213	\$ 8,830,831	\$ 22,620,231	\$ 41,555,275
Plan fiduciary net position	<u>(12,910,474)</u>	<u>(9,566,166)</u>	<u>(23,265,838)</u>	<u>(45,742,478)</u>
Net pension liability (asset)	<u>\$ (2,806,261)</u>	<u>\$ (735,335)</u>	<u>\$ (645,607)</u>	<u>\$ (4,187,203)</u>
Plan fiduciary net position as percentage of total pension liability (asset)	127.77%	108.33%	102.85%	110.08%

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

The total pension liability was determined by an actuarial valuation as of October 1, 2019, and measurement date of September 30, 2021, using the following actuarial assumptions to all measurement periods.

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Employees Plan</u>
Inflation	2.70%	2.50%	2.70%
Salary increases	Service based	Service based	Service based
Investment rate of return	7.25%	7.25%	7.50%
Mortality table	MP-2018, projected	MP-2018, projected	MP-2018, projected

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

	<u>Long Term Expected Real Rate of Return</u>		
<u>Asset Class</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Employees Plan</u>
Domestic equity	8.5%	7.5%	8.3%
International equity	4.1%	8.5%	4.1%
Broad Market Fixed Income	N/A	2.5%	N/A
Bonds	3.1%	N/A	3.1%
Global Fixed Income	N/A	3.5%	N/A
TIPS	7.0%	N/A	7.0%
Private Real Estate	5.5%	4.5%	5.5%

Discount rate:

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Changes in net pension liability:

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

	Police Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 9,670,504	\$ 10,876,510	\$ (1,206,006)
Changes for year:			
Service cost	379,167	-	379,167
Interest	706,740	-	706,740
Differences between expected/actual experience	(89,286)	-	(89,286)
Changes of assumptions	-	-	-
Change in excess state money	-	-	-
Share plan allocation	40,153	-	40,153
Contributions - employer	-	128,300	(128,300)
Contributions - employee	-	94,376	(94,376)
Contributions - state	-	170,305	(170,305)
Net investment income	-	2,283,166	(2,283,166)
Benefit payments, including refunds	(603,065)	(603,065)	-
Administrative expenses	-	(39,118)	39,118
Net changes	433,709	2,033,964	(1,600,255)
Ending Balance	<u>\$ 10,104,213</u>	<u>\$ 12,910,474</u>	<u>\$ (2,806,261)</u>

	Fire Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 8,324,948	\$ 7,909,764	\$ 415,184
Changes for year:			-
Service cost	187,751	-	187,751
Interest	609,590	-	609,590
Differences between expected/actual experience	(87,519)	-	(87,519)
Change of assumption	-	-	-
Share plan allocation	5,192	-	5,192
Contributions - employer	-	218,422	(218,422)
Contributions - employee	-	52,194	(52,194)
Contributions - state	-	100,384	(100,384)
Net investment income	-	1,526,972	(1,526,972)
Benefit payments, including refunds	(209,131)	(209,131)	-
Administrative expenses	-	(32,439)	32,439
Net changes	505,883	1,656,402	(1,150,519)
Ending Balance	<u>\$ 8,830,831</u>	<u>\$ 9,566,166</u>	<u>\$ (735,335)</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

	General Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 21,654,732	\$ 19,456,925	\$ 2,197,807
Changes for year:			
Service cost	753,642	-	753,642
Interest	1,638,860	-	1,638,860
Changes of benefit terms	20,840	-	20,840
Differences between expected/actual experience	(292,341)	-	(292,341)
Change of assumptions	-	-	-
Contributions - employer	-	786,782	(786,782)
Contributions - employee	-	236,766	(236,766)
Contributions - state	-	-	-
Net investment income	-	3,976,723	(3,976,723)
Benefit payments, including refunds	(1,155,502)	(1,155,502)	-
Administrative expenses	-	(35,857)	35,857
Net changes	965,499	3,808,912	(2,843,413)
Ending Balance	<u>\$ 22,620,231</u>	<u>\$ 23,265,837</u>	<u>\$ (645,606)</u>

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

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

Plan	Current Discount Rate	NPL (NPA) with 1% Decrease	NPL (NPA) at Current Discount Rate	NPL (NPA) with 1% Increase
Police	7.25%	\$ (1,673,789)	\$ (2,806,262)	\$ (3,751,817)
Fire	7.25%	329,012	(735,335)	(1,610,253)
General Employees	7.50%	1,837,711	(645,606)	(2,735,737)
Total		<u>\$ 492,934</u>	<u>\$ (4,187,203)</u>	<u>\$ (8,097,807)</u>

For the year ended September 30, 2021, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	Police Plan	Fire Plan	General Employees Plan
Annual money-weighted rate of return	21.34%	19.34%	20.50%

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$(130,322), \$16,452 and \$196,932, in the Police, Fire, and General Employees, pension plans, respectively, for a total of \$83,062.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Plan		Fire Plan		General Employees Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,488	\$ (66,966)	\$ 404,948	\$ (236,064)	\$ 89,348	\$ (475,342)
Changes of assumptions	41,470	-	142,185	(72,036)	-	(26,326)
Net different between projected and actual investment earnings	-	(1,614,959)	-	(801,295)	-	(1,723,202)
	<u>\$ 72,958</u>	<u>\$ (1,681,925)</u>	<u>\$ 547,133</u>	<u>\$ (1,109,395)</u>	<u>\$ 89,348</u>	<u>\$ (2,224,870)</u>

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

	Police Plan	Fire Plan	General Employees Plan
2022	\$ (370,524)	\$ (138,312)	\$ (508,929)
2023	(420,613)	(121,491)	(469,593)
2024	(517,099)	(153,454)	(593,783)
2025	(300,731)	(134,418)	(563,217)
2026	-	(14,587)	-
Thereafter	-	-	-

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

C. Pension Fund Financial Statements

The City does not issue separate financial statements for the General Employee, Police, or Fire Plan. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2021:

COMBINING SCHEDULE OF NET POSITION – FIDUCIARY FUNDS

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Plan</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents with trustee	\$ 193,149	\$ 427,068	\$ 952,163	\$ 1,572,380
Prepaid benefit payments	-	-	3,982	3,982
Receivables				
Employer contributions receivable	3,427	2,010	8,512	13,949
Employee contributions receivable	3,419	17,688	26,387	47,494
Due from broker	-	-	850,000	850,000
Interest and dividends receivable	10,287	10,470	6,304	27,061
Total receivables	17,133	30,168	891,203	938,504
Investments, at fair value				
Corporate and municipal debt obligations	-	1,658,396	-	1,658,396
Corporate equity securities	-	2,409,183	-	2,409,183
Mutual funds - fixed income	2,603,968	415,885	4,421,410	7,441,263
Mutual funds - equity	9,125,357	3,469,708	16,005,773	28,600,838
Real estate funds	970,867	1,155,758	1,000,337	3,126,962
Total investments	12,700,192	9,108,930	21,427,520	43,236,642
Total assets	<u>\$ 12,910,474</u>	<u>\$ 9,566,166</u>	<u>\$ 23,274,868</u>	<u>\$ 45,751,508</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 9,031	\$ 9,031
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,031</u>	<u>\$ 9,031</u>
NET POSITION				
Restricted for pensions	<u>\$ 12,910,474</u>	<u>\$ 9,566,166</u>	<u>\$ 23,265,837</u>	<u>\$ 45,742,477</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

COMBINING SCHEDULE OF CHANGES IN NET POSITION – FIDUCIARY FUNDS

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Plan</u>	<u>Total</u>
Additions				
Contributions:				
Employer	\$ 128,300	\$ 218,422	\$ 786,782	\$ 1,133,504
Plan members	94,376	52,194	236,766	383,336
State - insurance premium taxes	170,305	100,384	-	270,689
Total contributions	<u>392,981</u>	<u>371,000</u>	<u>1,023,548</u>	<u>1,787,529</u>
Investment earnings:				
Net appreciation (depreciation) in fair value of investments	2,108,242	1,413,520	3,660,550	7,182,312
Interest and dividends	209,844	175,632	369,935	755,411
Total investment earnings	<u>2,318,086</u>	<u>1,589,152</u>	<u>4,030,485</u>	<u>7,937,723</u>
Less: investment expense	(34,920)	(62,180)	(53,762)	(150,862)
Net investment income (loss)	<u>2,283,166</u>	<u>1,526,972</u>	<u>3,976,723</u>	<u>7,786,861</u>
Total additions	<u>2,676,147</u>	<u>1,897,972</u>	<u>5,000,271</u>	<u>9,574,390</u>
Deductions				
Benefit payments and refunds	603,065	209,131	1,155,502	1,967,698
Administrative expenses	39,118	32,439	35,857	107,414
Total deductions	<u>642,183</u>	<u>241,570</u>	<u>1,191,359</u>	<u>2,075,112</u>
Change in net position	<u>2,033,964</u>	<u>1,656,402</u>	<u>3,808,912</u>	<u>7,499,278</u>
Net position restricted for pensions, beginning of year	10,876,510	7,909,764	19,456,925	38,243,199
Net position restricted for pensions, end of year	<u>\$ 12,910,474</u>	<u>\$ 9,566,166</u>	<u>\$ 23,265,837</u>	<u>\$ 45,742,477</u>

(12) Restatement of Beginning Equity:

Subsequent to issuance of the September 30, 2020, financial statements, management became aware of the following errors: overstatement of water fund receivable due from other government, overstatement of disaster recovery fund receivable due from other government, overstatement of governmental activities fixed assets, overstatement of sewer fund fixed assets and understatement of stormwater fund fixed assets due to improper cutoff recorded in the prior period. The net effect of these adjustments on beginning fund balance and net position were as follows:

	<u>Fund Balance</u>	<u>Net Position</u>				
	<u>Disaster Recovery Fund</u>	<u>Governmental Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Business-type Activities</u>
Net position / fund balance – 9/30/20, originally reported	\$ 23,863,980	\$ 35,170,978	\$ 16,178,062	\$ 15,642,776	\$ 4,812,429	\$ 40,773,080
Due from other government cutoff	(1,648,548)	(1,648,548)	(291,015)	-	-	(291,015)
Fixed assets cutoff	-	(159,851)	-	(340,022)	380,763	40,741
Net position / fund balance – 9/30/20, as restated	<u>\$ 22,215,432</u>	<u>\$ 33,362,579</u>	<u>\$ 15,887,047</u>	<u>\$ 15,302,754</u>	<u>\$ 5,193,192</u>	<u>\$ 40,522,806</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(13) Recent Accounting Pronouncements:

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

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

(14) Major Events and Federal Investigation:

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

During the year ended September 30, 2021, Federal investigators began investigating activity related to the City's financial activity in the aftermath of Hurricane Michael, specifically related to the former City Manager and other former City employees and vendors. In November 2019, the former City Manager, a former City department head, and three others were charged with various felony charges related to wire fraud, money laundering, and filing false reimbursement claims to FEMA related to Hurricane Michael clean-up efforts. The total amounts alleged to be wrongfully paid out by the City was in excess of \$5 million. In early 2020, the former City Manager and the four others named in the indictment pled guilty to the charges, including agreements to make full restitution to the City as part of the plea agreements. In August 2020, the former Mayor and City Attorney were indicted in connection with this case. In March 2021, an additional former City Commissioner and the president of a major vendor of the City were also indicted.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 9,362,138	\$ 7,712,138	\$ 9,635,007	\$ 1,922,869
Permits and fees	2,262,400	2,176,895	2,430,193	253,298
Intergovernmental	4,804,766	4,780,571	3,952,589	(827,982)
Charges for services	2,213,922	2,178,068	2,326,241	148,173
Fines and forfeitures	88,700	110,867	115,130	4,263
Investment income	81,780	35,780	22,216	(13,564)
Miscellaneous	54,900	104,559	150,074	45,515
Total revenues	18,868,606	17,098,878	18,631,450	1,532,572
Expenditures				
Current:				
General government	3,696,067	4,256,365	3,364,183	892,182
Planning and code enforcement	903,100	928,724	805,515	123,209
Public safety	6,326,022	6,879,564	6,251,202	628,362
Transportation	1,406,389	3,415,468	1,310,020	2,105,448
Economic environment	128,480	149,746	129,303	20,443
Culture and recreation	1,730,741	3,065,214	1,936,125	1,129,089
Disaster recovery	50,000	50,000	3,266	46,734
Capital outlay	6,908,575	2,372,986	2,141,969	231,017
Debt service:				-
Principal retirement	155,387	155,387	1,185,190	(1,029,803)
Interest and fiscal charges	-	-	152,998	(152,998)
Total expenditures	21,304,761	21,273,454	17,279,771	3,993,683
Excess (deficiency) of revenues over expenditures	<u>(2,436,155)</u>	<u>(4,174,576)</u>	<u>1,351,679</u>	<u>5,526,255</u>
Other financing sources (uses)				
Proceeds from insurance recoveries	-	187,912	196,241	8,329
Net change in fund balances	<u>(2,436,155)</u>	<u>(3,986,664)</u>	<u>1,547,920</u>	<u>5,534,584</u>
Fund balances, beginning of year	16,632,126	16,632,126	16,632,126	-
Fund balances, end of year	<u>\$ 14,195,971</u>	<u>\$ 12,645,462</u>	<u>\$ 18,180,046</u>	<u>\$ 5,534,584</u>

CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF REVENUES, EXGENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 407,847	\$ 407,847	\$ 365,034	\$ (42,813)
Investment income	840	840	815	(25)
Total revenues	<u>408,687</u>	<u>408,687</u>	<u>365,849</u>	<u>(42,838)</u>
Expenditures				
Current:				
Economic environment	615,739	662,288	202,711	459,577
Capital outlay	-	-	92,789	(92,789)
Total expenditures	<u>615,739</u>	<u>662,288</u>	<u>295,500</u>	<u>366,788</u>
Net change in fund balances	<u>(207,052)</u>	<u>(253,601)</u>	<u>70,349</u>	<u>323,950</u>
Fund balances, beginning of year	448,562	448,562	448,562	-
Fund balances, end of year	<u><u>\$ 241,510</u></u>	<u><u>\$ 194,961</u></u>	<u><u>\$ 518,911</u></u>	<u><u>\$ 323,950</u></u>

CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF REVENUES, EXGENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DISASTER RECOVERY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 12,997,428	\$ 10,997,427	\$ 7,885,162	\$ (3,112,265)
Investment income	54,000	39,000	34,021	(4,979)
Total revenues	<u>13,051,428</u>	<u>11,036,427</u>	<u>7,919,183</u>	<u>(3,117,244)</u>
Expenditures				
Current:				
Disaster recovery	19,396,789	16,893,860	2,316,292	14,577,568
Capital outlay	-	-	1,623,007	(1,623,007)
Debt service:				
Principal retirement	-	-	2,028,268	(2,028,268)
Interest and fiscal charges	-	-	832,544	(832,544)
Total expenditures	<u>19,396,789</u>	<u>16,893,860</u>	<u>6,800,111</u>	<u>10,093,749</u>
Excess (deficiency) of revenues over expenditures	<u>(6,345,361)</u>	<u>(5,857,433)</u>	<u>1,119,072</u>	<u>6,976,505</u>
Other financing sources (uses)				
Proceeds from insurance recovery	5,000,000	5,435,000	435,000	(5,000,000)
Issuance of long-term debt	1,345,361	422,433	274,400	(148,033)
Total other financing sources (uses)	<u>6,345,361</u>	<u>5,857,433</u>	<u>709,400</u>	<u>(5,148,033)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,828,472</u>	<u>1,828,472</u>
Fund balances, beginning of year, as restated	22,215,432	22,215,432	22,215,432	-
Fund balances, end of year	<u><u>\$ 22,215,432</u></u>	<u><u>\$ 22,215,432</u></u>	<u><u>\$ 24,043,904</u></u>	<u><u>\$ 1,828,472</u></u>

CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF REVENUES, EXGENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AMERICAN RESCUE PLAN ACT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	158	158
Total revenues	-	-	158	158
Expenditures				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	-	-	158	158
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158</u>	<u>\$ 158</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 38,416	\$ 28,852	\$ 29,919	\$ 31,264
Interest	16,559	16,800	14,049	11,375
Difference between expected and actual experience	-	(8,117)	-	-
Changes of assumptions	59,916	28,165	(17,715)	(18,548)
Benefit payments - implicit rate subsidy	(19,694)	(9,641)	(8,886)	(8,171)
Net change in total OPEB liability	95,197	56,059	17,367	15,920
Total OPEB liability - beginning of year	433,872	377,813	360,446	344,526
Total OPEB liability - end of year	<u><u>\$ 529,069</u></u>	<u><u>\$ 433,872</u></u>	<u><u>\$ 377,813</u></u>	<u><u>\$ 360,446</u></u>
 Covered payroll	 \$ 6,699,324	 \$ 6,309,403	 \$ 6,413,679	 \$ 6,041,521
Total OPEB liability as a percentage of covered payroll	7.90%	6.88%	5.89%	5.97%

Notes to Schedule:

Valuation date:	9/30/2019	9/30/2019	9/30/2017	9/30/2017
Measurement date:	9/30/2020	9/30/2019	9/30/2018	9/30/2017

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

2.14%	3.58%	4.18%	3.64%
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*10 years of data will be presented as it becomes available.

CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

Fiscal Year Ending September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 379,167	\$ 343,348	\$ 291,738	\$ 292,982	\$ 291,017	\$ 283,018	\$ 309,736	\$ 288,702
Interest	706,740	663,642	622,351	620,208	597,635	564,143	526,808	481,522
Change in excess state money	-	(224,454)	33,232	27,951	20,749	25,295	26,971	23,122
Share plan allocation	40,153	259,346	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-
Difference between actual and expected experience	(89,286)	50,470	25,008	(139,696)	(218,184)	(331,547)	(91,536)	-
Changes of assumptions	-	82,940	-	201,250	-	192,001	-	-
Benefit payments including refunds of contributions	(603,065)	(468,919)	(411,401)	(444,770)	(335,766)	(258,147)	(245,073)	(205,289)
Net change in total pension liability	433,709	706,373	560,928	557,925	355,451	474,763	526,906	588,057
Total pension liability - beginning	9,670,504	8,964,131	8,403,203	7,845,278	7,489,827	7,015,064	6,488,158	5,900,101
Total pension liability - ending (a)	\$ 10,104,213	\$ 9,670,504	\$ 8,964,131	\$ 8,403,203	\$ 7,845,278	\$ 7,489,827	\$ 7,015,064	\$ 6,488,158
Total Fiduciary Net Position								
Contributions - employer	\$ 128,300	\$ 117,112	\$ 146,262	\$ 141,741	\$ 118,040	\$ 193,200	\$ 195,344	\$ 196,175
Contributions - state	170,305	159,783	156,463	145,902	131,498	140,590	117,198	113,349
Contributions - employee	94,376	90,085	88,027	74,601	62,126	62,391	64,089	68,969
Net investment income	2,283,166	1,666,103	360,191	471,140	751,774	654,947	(50,536)	571,109
Benefit payments, including refunds of contributions	(603,065)	(468,919)	(411,401)	(444,770)	(335,766)	(258,147)	(245,073)	(205,289)
Administrative expense	(39,118)	(33,841)	(30,204)	(44,223)	(33,448)	(17,500)	(23,874)	(22,490)
Net change in plan fiduciary net position	2,033,964	1,530,323	309,338	344,391	694,224	775,481	57,148	721,823
Plan fiduciary net position - beginning	10,876,510	9,346,187	9,036,849	8,692,458	7,998,234	7,222,753	7,165,605	6,443,782
Plan fiduciary net position - ending (b)	\$ 12,910,474	\$ 10,876,510	\$ 9,346,187	\$ 9,036,849	\$ 8,692,458	\$ 7,998,234	\$ 7,222,753	\$ 7,165,605
Net pension liability (asset) - ending (a) - (b)	\$ (2,806,261)	\$ (1,206,006)	\$ (382,056)	\$ (633,646)	\$ (847,180)	\$ (508,407)	\$ (207,689)	\$ (677,447)
Plan fiduciary net position as a percentage of the total pension liability	127.77%	112.47%	104.26%	107.54%	110.80%	106.79%	102.96%	110.44%
Covered payroll	\$ 1,889,317	\$ 1,801,862	\$ 1,760,537	\$ 1,492,008	\$ 1,242,529	\$ 1,247,810	\$ 1,287,209	N/A
Net pension liability as a percentage of covered payroll	-148.53%	-66.93%	-21.70%	-42.47%	-68.18%	-40.74%	-16.13%	N/A

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

CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIRE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

Fiscal Year Ending September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 187,751	\$ 214,465	\$ 216,588	\$ 187,963	\$ 214,294	\$ 202,696	\$ 189,512	\$ 191,324
Interest	609,590	556,161	504,486	460,987	428,511	395,917	370,363	340,740
Change in excess state money	-	-	-	-	(581,215)	7,031	55,979	62,154
Share plan allocation	5,192	2,630	-	-	581,215	-	-	-
Changes in benefit terms	-	-	(483)	-	-	-	-	-
Difference between actual and expected experience	(87,519)	311,990	251,609	159,539	(404,891)	(92,891)	(74,169)	-
Changes of assumptions	-	(108,054)	-	-	211,236	245,505	-	-
Benefit payments including refunds of contributions	(209,131)	(217,917)	(297,697)	(175,605)	(173,914)	(191,309)	(167,618)	(152,334)
Net change in total pension liability	505,883	759,275	674,503	632,884	275,236	566,949	374,067	441,884
Total pension liability - beginning	8,324,948	7,565,673	6,891,170	6,258,286	5,983,050	5,416,101	5,042,034	4,600,150
Total pension liability - ending (a)	\$ 8,830,831	\$ 8,324,948	\$ 7,565,673	\$ 6,891,170	\$ 6,258,286	\$ 5,983,050	\$ 5,416,101	\$ 5,042,034
Total Fiduciary Net Position								
Contributions - employer	\$ 218,422	\$ 173,792	\$ 155,695	\$ 64,246	\$ 85,694	\$ 179,059	\$ 175,202	\$ 191,373
Contributions - state	100,384	95,261	87,729	76,493	72,877	104,062	98,068	104,243
Contributions - employee	52,194	53,187	55,243	51,084	46,004	39,616	40,940	41,786
Net investment income	1,526,972	700,117	291,181	543,931	688,348	263,560	(32,874)	509,709
Benefit payments, including refunds of contributions	(209,131)	(217,917)	(297,697)	(175,605)	(173,914)	(191,309)	(167,618)	(152,334)
Administrative expense	(32,439)	(34,051)	(31,169)	(31,788)	(36,876)	(25,141)	(20,389)	(12,167)
Net change in plan fiduciary net position	1,656,402	770,389	260,982	528,361	682,133	369,847	93,329	682,610
Plan fiduciary net position - beginning	7,909,764	7,139,375	6,878,393	6,350,032	5,667,899	5,298,052	5,204,723	4,522,113
Plan fiduciary net position - ending (b)	\$ 9,566,166	\$ 7,909,764	\$ 7,139,375	\$ 6,878,393	\$ 6,350,032	\$ 5,667,899	\$ 5,298,052	\$ 5,204,723
Net pension liability (asset) - ending (a) - (b)	\$ (735,335)	\$ 415,184	\$ 426,298	\$ 12,777	\$ (91,746)	\$ 315,151	\$ 118,049	\$ (162,689)
Plan fiduciary net position as a percentage of the total pension liability	108.33%	95.01%	94.37%	99.81%	101.47%	94.73%	97.82%	103.23%
Covered payroll	\$ 1,043,881	\$ 1,063,734	\$ 1,104,869	\$ 1,021,678	\$ 920,087	\$ 792,315	\$ 826,871	\$ 835,712
Net pension liability as a percentage of covered payroll	-70.44%	39.03%	38.58%	1.25%	-9.97%	39.78%	14.28%	-19.47%

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

CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

Fiscal Year Ending September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 753,642	\$ 626,056	\$ 637,599	\$ 673,135	\$ 623,575	\$ 600,171	\$ 623,863	\$ 676,486
Interest	1,638,860	1,556,713	1,533,656	1,601,695	1,535,793	1,443,346	1,378,512	1,279,098
Changes of benefit terms	20,840	-	-	-	-	-	-	-
Difference between actual and expected experience	(292,341)	178,695	(326,079)	(555,192)	(257,496)	(350,889)	(268,672)	-
Changes of assumptions	-	(48,567)	-	(10,211)	-	438,382	-	-
Benefit payments including refunds of contributions	(1,155,502)	(1,576,564)	(1,475,853)	(1,016,808)	(1,238,504)	(759,152)	(1,040,029)	(280,537)
Net change in total pension liability	965,499	736,333	369,323	692,619	663,368	1,371,858	693,674	1,675,047
Total pension liability - beginning	21,654,732	20,918,399	20,549,076	19,856,457	19,193,089	17,821,231	17,127,557	15,452,510
Total pension liability - ending (a)	\$ 22,620,231	\$ 21,654,732	\$ 20,918,399	\$ 20,549,076	\$ 19,856,457	\$ 19,193,089	\$ 17,821,231	\$ 17,127,557
Total Fiduciary Net Position								
Contributions - employer	\$ 786,782	\$ 745,042	\$ 752,407	\$ 861,267	\$ 793,327	\$ 887,944	\$ 834,900	\$ 816,608
Contributions - employee	236,766	221,497	199,258	179,027	165,681	162,257	163,518	184,927
Net investment income	3,976,723	1,522,268	586,457	1,034,593	1,560,376	1,348,632	(65,358)	1,156,984
Benefit payments, including refunds of contributions	(1,155,502)	(1,576,564)	(1,475,853)	(1,016,808)	(1,238,504)	(759,152)	(1,040,029)	(280,537)
Administrative expense	(35,857)	(39,040)	(36,704)	(59,210)	(32,941)	(28,181)	(28,388)	(19,746)
Net change in plan fiduciary net position	3,808,912	873,203	25,565	998,869	1,247,939	1,611,500	(135,357)	1,858,236
Plan fiduciary net position - beginning	19,456,925	18,583,722	18,558,157	17,559,288	16,311,349	14,699,849	14,835,206	12,976,970
Plan fiduciary net position - ending (b)	\$ 23,265,837	\$ 19,456,925	\$ 18,583,722	\$ 18,558,157	\$ 17,559,288	\$ 16,311,349	\$ 14,699,849	\$ 14,835,206
Net pension liability - ending (a) - (b)	\$ (645,606)	\$ 2,197,807	\$ 2,334,677	\$ 1,990,919	\$ 2,297,169	\$ 2,881,740	\$ 3,121,382	\$ 2,292,351
Plan fiduciary net position as a percentage of the total pension liability	102.85%	89.85%	88.84%	90.31%	88.43%	84.99%	82.49%	86.62%
Covered payroll	\$ 4,729,520	\$ 4,429,931	\$ 3,985,148	\$ 3,588,614	\$ 3,305,528	\$ 3,245,125	\$ 4,089,610	\$ 3,698,541
Net pension liability as a percentage of covered payroll	-13.65%	49.61%	58.58%	55.48%	69.49%	88.80%	76.32%	61.98%

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

CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2021	\$ 284,868	\$ 258,452	\$ 26,416	\$ 1,889,317	13.68%
2020	242,034	242,003	31	1,801,862	13.43%
2019	257,277	269,493	(12,216)	1,760,537	15.31%
2018	244,035	259,692	(15,657)	1,492,008	17.41%
2017	243,816	228,789	15,027	1,242,529	18.41%
2016	268,378	308,495	(40,117)	1,247,810	24.72%
2015	285,571	285,571	-	1,287,209	22.19%
2014	286,402	286,402	-	N/A	N/A

Notes to Schedule:

Valuation Date: 10/1/2019

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal cost
Amortization Method: Unfunded actuarial accrued liability amortized as follows:
Experience: 15 Years.
Assumption/Method Changes: 15 Years.
Benefit Changes: 15 Years.
Asset Valuation Method: All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Inflation: 2.70%
Salary Increases: Service Based, 4.0%-7.5%
Discount Rate: 7.25%
Investment Rate of Return: 7.25% per year compounded annually, net of investment related expenses.
Mortality:
Healthy Active Lives:
Female: PubS.H-2010 (Below Median) for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 (Below Median) for Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.
Retirement Age: Earlier of: 1) age 55 and 10 years of service, 2) 25 years of service, regardless of age, or 3) attainment of age 60. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year. We feel this assumption is reasonable based on the plan provisions.

Disability Rate Table:

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

Termination Rate Table:

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

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

CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIRE PLAN
SEPTEMBER 30, 2021
(UNAUDITED)

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2021	\$ 324,176	\$ 313,614	\$ 10,562	\$ 1,043,881	30.04%
2020	282,652	266,422	16,230	1,063,734	25.05%
2019	218,342	243,424	(25,082)	1,104,869	22.03%
2018	181,559	140,739	40,820	1,021,678	13.78%
2017	185,478	158,571	26,907	920,087	17.23%
2016	189,266	276,090	(86,824)	792,315	34.85%
2015	217,291	217,291	-	826,871	26.28%
2014	233,462	233,462	-	835,712	27.94%

Notes to Schedule:

Valuation Date: 10/1/2019

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

Methods and assumptions used to determine contribution rates:

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

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

Inflation: 2.50%
Salary Increases: Service based, 5%-7%
Discount Rate: 7.25%
Investment Rate of Return: 7.25% per year compounded annually, net of investment related expenses.
Mortality: Healthy Active Lives:
Female: PubS.H-2010 for Employees, set forward one year.
Male: PubS.H-2010 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubS.H-2010 for Healthy Retirees, set forward one year.
Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubG.H-2010 (Below Median) for Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

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

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

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

**CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES PLAN
SEPTEMBER 30, 2021
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 757,552	\$ 786,782	\$ (29,230)	\$ 4,729,520	16.64%
2020	774,891	745,042	29,849	4,429,931	16.82%
2019	852,552	752,407	100,145	3,985,148	18.88%
2018	822,316	861,267	(38,951)	3,588,614	24.00%
2017	778,361	793,327	(14,966)	3,305,528	24.00%
2016	809,145	887,944	(78,799)	3,245,125	27.36%
2015	834,900	834,900	-	4,089,610	20.42%
2014	816,608	816,608	-	3,698,541	22.08%
2013	730,071	730,071	-	3,632,195	20.10%

Notes to Schedule:

Valuation Date: 10/1/2019

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal cost
Amortization Method: Unfunded actuarial accrued liability will be combined into a single 15-year amortization base and all future bases will be amortized over 15 years.
Asset Valuation Method: Historic geometric 4-year average market value return
Inflation: 2.70%
Salary Increases: Service Based, 4.0%-7.5%
Discount Rate: 7.50%
Investment Rate of Return: 7.50%, compounded annually, net of investment related expenses
Mortality: Healthy Active Lives:
Female: PubG.H-2010 for Employees, set forward one year.
Male: PubG.H-2010 (Below Median) for Employees, set back one year.
Healthy Retiree Lives:
Female: PubG.H-2010 (Below Median) for Healthy Retirees.
Male: PubS.H-2010 for Healthy Retirees, set back one year.
Beneficiary Lives:
Female: PubG.H-2010 for Healthy Retirees.
Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
PubG.H-2010 for Disabled Retirees, set forward three years.
Retirement Age: Attainment of age 55 and completion of 10 years of service
Disability Rate Table:

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

Termination Rate Table:

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

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

**CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
SEPTEMBER 30, 2021**

For the Year Ending September 30,	Police Plan	Fire Plan	General Employees Plan
2021	21.34%	19.34%	20.50%
2020	18.09%	9.82%	8.28%
2019	4.01%	4.28%	3.18%
2018	5.49%	8.63%	5.87%
2017	9.47%	12.17%	9.56%
2016	9.07%	4.98%	9.13%
2015	-0.71%	-0.63%	-0.44%
2014	8.83%	11.14%	8.67%

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

SUPPLEMENTARY INFORMATION

**CITY OF LYNN HAVEN, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	Hurricane Michael Disaster Relief	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Equity in pooled cash and cash equivalents	\$ -	\$ 15,803	\$ 15,803
Total assets	<u>\$ -</u>	<u>\$ 15,803</u>	<u>\$ 15,803</u>
LIABILITIES			
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES			
Restricted for:			
Disaster recovery and relief	-	-	-
Debt service	-	15,803	15,803
Total fund balances	<u>-</u>	<u>15,803</u>	<u>15,803</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 15,803</u>	<u>\$ 15,803</u>

**CITY OF LYNN HAVEN, FLORIDA
COMBINING STATEMENT OF REVENUES, EXGENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Hurricane Michael Disaster Relief	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Investment income	\$ -	\$ 24	\$ 24
Miscellaneous	273	-	273
Total revenues	<u>273</u>	<u>24</u>	<u>297</u>
Expenditures			
Current:			
Disaster recovery	3,838	-	3,838
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>3,838</u>	<u>-</u>	<u>3,838</u>
Net change in fund balances	<u>(3,565)</u>	<u>24</u>	<u>(3,541)</u>
Fund balances, beginning of year	3,565	15,779	19,344
Fund balances, end of year	<u>\$ -</u>	<u>\$ 15,803</u>	<u>\$ 15,803</u>

CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal/State Agency / Pass-Through Entity / Federal Program / State Project	ALN/ CSFA Number	Contract / Grant Number	Expenditures
FEDERAL AWARDS			
<u>U.S. Department of Justice</u>			
Indirect Programs:			
Pass-Through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2020-JAGC-BAY-9-5R-076	10,400
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2020-JAGC-BAY-2-Y5-060	10,160
Total U.S. Department of Treasury			<u>20,560</u>
<u>U.S. Department of Treasury</u>			
Indirect Programs:			
Pass-Through Bay County Board of County Commissioners			
Coronavirus Relief Fund	21.019	N/A	<u>3,266</u>
Indirect Programs:			
Pass-Through Florida Division of Emergency Management			
Disaster Grants - Public Assistance	97.036	Hurricane Michael	5,683,333
Total Federal Awards			<u><u>\$ 5,707,159</u></u>

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

(1) Basis of Presentation:

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

(2) Summary of Significant Accounting Policies:

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

(3) De Minimis Indirect Cost Rate Election:

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

(4) Subrecipients:

The City did not pass any monies recognized on the Schedule to subrecipients.

(5) Deferred FEMA Expenditures:

During the fiscal year ended September 30, 2021, the City incurred substantial costs related to Hurricane Michael. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under CFDA 97.036 are not to be recognized as expenditures for purposes of the Schedule of Expenditures of Federal Awards until the respective Project Worksheets (PW) have been approved. At September 30, 2021, only some of the City's PWs from these storms had been approved by FEMA. As a result, there are \$2,832,489 of expenditures and the related revenues which have been recorded for financial statement purposes and not on the Schedule of Expenditures of Federal Awards; these expenditures will be recognized on the Schedule of Expenditures of Federal Awards in future years once approved by FEMA.

(6) Contingency:

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

**CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

A. Summary of Auditors' Results:

Financial Statements:

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

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

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

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

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

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

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Program Name</u>
97.036	Disaster Grants – Public Assistance

B. Financial Statement Findings:

2021-001 Reconciliation of Account Balances and Audit Adjustments

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

Condition: Various journal entries were corrected to aid in the determination of year-end amounts in accordance with generally accepted accounting principles.

Cause: Certain adjustments were required to be made to the accounting records subsequent to the start of the audit process related to year-end accrual entries. We noted this to be largely due to the ongoing nature of hurricane recovery activity and related items, both in terms of extensiveness and complexity.

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

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

- C. **Federal Program Findings and Questioned Costs:** None.
- D. **Summary Schedule of Prior Audit Findings:** See schedule of prior audit findings on page 82.
- E. **Corrective Action Plan:** See Management's Response to findings on page 83.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lynn Haven, Florida's (the City) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "James Moore, Esq., P.L.". The signature is written in a cursive style with a large, looping initial "J".

Tallahassee, Florida
March 22, 2022

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lynn Haven, Florida (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 22, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

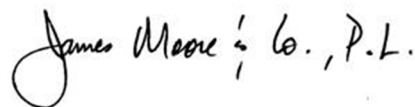
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Management's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Tallahassee, Florida
March 22, 2022

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

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

Report on the Financial Statements

We have audited the basic financial statements of City of Lynn Haven, Florida (the City), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 22, 2022.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 22, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Finding 2021-001 remains uncorrected from the second preceding audit. The following is a summary of prior year recommendations:

2020-001 Timeliness of Bank Reconciliation – Corrective action taken

2020-002 Reconciliation of Account Balances and Audit Adjustments – Comment remains uncorrected from the second preceding audit; see repeat comment 2021-001.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we have the following recommendation:

2021-002 Impact Fee Accounting

At year-end, the City's impact fees were not being recorded in a separate fund. In late fiscal year 2021, the State of Florida adopted a bill modifying Section 163.31801 (4b). Florida Statutes, which requires impact fees be recorded in a separate accounting fund. We recommend the City transition its impact fees to a separate fund in fiscal year 2022 and in the fiscal year 2023 budget process.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

The required reporting items in accordance with Section 218.39(3)(c), Florida Statutes for the City of Lynn Haven Community Redevelopment Agency (the CRAs) have been reported in the separately-issued audited financial statements of each CRA.

Additional Matters

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

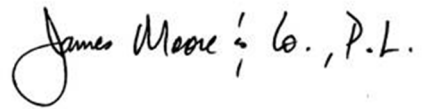
City's Response to Recommendations

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

Purpose of this Letter

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

Tallahassee, Florida
March 22, 2022

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the City of Lynn Haven, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City of Lynn Haven, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

Tallahassee, Florida
March 22, 2022

James Moore & Co., P.L.

JESSE NELSON
MAYOR
VICKIE GAINER
CITY MANAGER
KEVIN OBOS
CITY ATTORNEY



COMMISSIONERS
BRANDON ALDRIDGE
PAT PERNO
JAMIE WARRICK
JUDY TINDER

AFFIDAVIT

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

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

FURTHER AFFIANT SAYETH NAUGHT.


Vickie Gainer, City Manager/Chief Financial Officer

STATE OF FLORIDA
COUNTY OF BAY

SWORN TO AND SUBSCRIBED before me this 10th day of March 2022.




NOTARY PUBLIC
Print Name CICELIA J HOLLIDAY

Personally known ☒ or produced identification _____

Type of identification produced: _____

My Commission Expires: 11/15/2025

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

JESSE NELSON
MAYOR

VICKIE GAINER
CITY MANAGER

KEVIN OBOS
CITY ATTORNEY



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SCHEDULE OF PRIOR AUDIT FINDINGS

2020-001 Timeliness of Bank Reconciliations – Corrective action taken.

2020-002 Reconciliation of Account Balances and Audit Adjustments – Corrective action not taken. See repeat comment 2021-001.

JESSE NELSON
MAYOR

VICKIE GAINER
CITY MANAGER

KEVIN OBOS
CITY ATTORNEY



COMMISSIONERS

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PAT PERNO

JAMIE WARRICK

JUDY TINDER

Management's Responses to Findings

2021-001 Reconciliation of Account Balances and Audit Adjustments

The City agrees that account balances must be reconciled on a timely basis. A new Deputy Finance Director was hired in the winter of 2020 and a new Staff Accountant was hired in the fall of 2020, and the team continues to work through the complex accounting matters as a result of Hurricane Michael. The Deputy Finance Director and the Staff Accountant will continue to work with the audit team to further develop procedures to assure compliance with generally accepted accounting principles.

Individual Responsible: Kiki Roman, Deputy Finance Director
Estimated Completion Date: September 30, 2022

2021-002 Impact Fund Accounting

The City agrees that a separate fund shall be set up for the impact fees. The City will implement this in fiscal year 2022.