

CITY OF LYNN HAVEN, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023



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

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

Report on the Audit of Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, 2023, 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, 2022, 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 is the responsibility of management and, 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.

Supplementary Information

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

The combining nonmajor fund financial statements and schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 20, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 20, 2024

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, 2023. 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 \$137,780,661 (net position). Of this amount, \$9,501,538 (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 \$17,211,013 in fiscal year 2023, after restatements to beginning net position. Net position of the City’s governmental activities increased (decreased) by \$10,339,582, while net position of its business type activities increased (decreased) by \$6,871,431.
- The City’s governmental funds reported a combined ending fund balance of \$36,752,858 at the end of the current fiscal year, which increased (decreased) by \$(8,421,557) in comparison to the \$45,174,415 reported at the end of the prior fiscal year. Approximately \$15,839,052 of this amount is available for spending at the City’s discretion (unassigned fund balance).
- At the end of the 2023 fiscal year, unassigned fund balance for the General Fund was \$15,839,052 or 70% of the total fiscal year 2023 General Fund expenditures of \$22,725,300.
- The City’s total long-term debt obligations decreased by \$7,118,408 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 \$629,631 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 \$137,780,661 at the end of 2023, compared to \$120,569,648 as restated at the end of 2022. This represents a total increase (decrease) of \$17,211,013 or 14% 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, 2023 and 2022**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current and other assets	\$ 38,841,667	\$ 50,420,450	\$ 21,042,816	\$ 18,990,852	\$ 59,884,483	\$ 69,411,302
Net pension asset	662,585	498,113	-	-	662,585	498,113
Capital assets	78,428,921	59,713,959	53,087,710	51,408,576	131,516,631	111,122,535
Total assets	\$ 117,933,173	\$ 110,632,522	\$ 74,130,526	\$ 70,399,428	\$ 192,063,699	\$ 181,031,950
DEFERRED OUTFLOWS	\$ 2,873,255	\$ 4,717,338	\$ 864,838	\$ 1,209,301	\$ 3,738,093	\$ 5,926,639
LIABILITIES						
Current liabilities	\$ 2,131,563	\$ 2,814,424	\$ 2,391,819	\$ 2,606,525	\$ 4,523,382	\$ 5,420,949
Noncurrent liabilities:	33,111,742	37,570,641	19,333,219	22,576,951	52,444,961	60,147,592
Total liabilities	\$ 35,243,305	\$ 40,385,065	\$ 21,725,038	\$ 25,183,476	\$ 56,968,343	\$ 65,568,541
DEFERRED INFLOWS	\$ 938,061	\$ 679,315	\$ 114,727	\$ 141,085	\$ 1,052,788	\$ 820,400
NET POSITION						
Net investment in capital assets	\$ 75,687,232	\$ 55,230,690	\$ 34,269,551	\$ 28,644,946	\$ 109,956,783	\$ 83,875,636
Restricted	7,840,846	6,168,774	10,481,494	7,932,578	18,322,340	14,101,352
Unrestricted	1,096,984	12,886,016	8,404,554	9,706,644	9,501,538	22,592,660
Total net position	\$ 84,625,062	\$ 74,285,480	\$ 53,155,599	\$ 46,284,168	\$ 137,780,661	\$ 120,569,648

The most significant component of the City's net position (approximately 80%) is, by far, its investment in capital assets (land, infrastructure, buildings, and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (13%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 7% 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 \$9,501,538 at year-end, compared to \$22,592,660 in 2022. The main reason for the decrease 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 decreased from \$12,886,016 to \$1,096,984, again due to the impacts of Hurricane Michael.

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 2023, total revenues were \$48,661,593 compared to \$57,171,937 in the prior year. Approximately 12.3% of the City's revenue came from property taxes, 19.9% from other taxes and fees, 28.9% came from fees charged for services, and most of the remaining revenue included state and federal financial assistance and other miscellaneous revenues, including substantial FEMA reimbursements related to Hurricane Michael. The reason for the substantial decrease in total revenue is due to the magnitude of insurance and FEMA reimbursements received in 2022 following continued recovery efforts from Hurricane Michael and the recognition of approximately \$10 million worth of ARPA revenues in 2022.

During 2023, expenses were \$31,450,580 as opposed to \$30,003,833 in the prior year, for an increase of approximately 4.8% due to national inflationary trends.

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

**Changes in Net Position
For the Fiscal Years Ended September 30, 2023 and 2022**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
REVENUES						
Property taxes	5,993,682	5,199,701	\$ -	\$ -	\$ 5,993,682	\$ 5,199,701
Other taxes and fees	9,676,190	9,819,253	-	-	9,676,190	9,819,253
Charges for services	1,687,902	1,052,029	12,357,022	11,566,691	14,044,924	12,618,720
Intergovernmental and grants	13,424,927	27,205,840	2,547,679	1,657,434	15,972,606	28,863,274
Other revenues	2,106,182	391,994	868,009	278,995	2,974,191	670,989
Total revenues	32,888,883	43,668,817	15,772,710	13,503,120	48,661,593	57,171,937
EXPENSES						
General government	3,683,353	3,158,394	-	-	3,683,353	3,158,394
Planning and code enforcement	774,685	541,182	-	-	774,685	541,182
Public safety	8,038,146	7,827,673	-	-	8,038,146	7,827,673
Transportation	2,205,797	2,084,327	-	-	2,205,797	2,084,327
Economic environment	340,888	418,330	-	-	340,888	418,330
Culture and recreation	2,262,690	1,949,128	-	-	2,262,690	1,949,128
Disaster recovery	946,172	1,706,276	-	-	946,172	1,706,276
Water utility	-	-	3,306,857	3,283,920	3,306,857	3,283,920
Sewer utility	-	-	4,133,526	3,811,167	4,133,526	3,811,167
Stormwater utility	-	-	2,089,538	1,572,264	2,089,538	1,572,264
Sanitation	-	-	2,401,792	2,246,884	2,401,792	2,246,884
Interest expense	789,519	900,551	477,617	503,737	1,267,136	1,404,288
Total expenses	19,041,250	18,585,861	12,409,330	11,417,972	31,450,580	30,003,833
Income before transfers	13,847,633	25,082,956	3,363,380	2,085,148	17,211,013	27,168,104
Transfers	(3,508,051)	-	3,508,051	-	-	-
Change in net position	10,339,582	25,082,956	6,871,431	2,085,148	17,211,013	27,168,104
Net position, beginning of year	74,285,480	49,202,524	46,284,168	44,199,020	120,569,648	93,401,544
Net position, end of year	\$ 84,625,062	\$ 74,285,480	\$ 53,155,599	\$ 46,284,168	\$ 137,780,661	\$ 120,569,648

Governmental Activities

Revenues for the City's governmental activities totaled \$32,888,883 in 2023. This represents an decrease of over \$8.5 million from than last year's reported revenues of \$43,668,817, and is primarily related to the recognition of approximately \$10 million of ARPA revenues.

Governmental activities expenses totaled \$19,041,250, which increased over \$1.4 million from the prior year due to inflationary pressures.

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 \$12,357,022, an increase from utility billings of \$11,566,691 in 2022 because the number of utility accounts are now back to pre-hurricane levels.

Total operating expenses of the proprietary funds in 2023 totaled \$11,941,491, compared to \$11,417,972 in 2022, an increase of approximately \$500k, primarily due to increased water and sewer 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 \$36,752,858, which was an increase (decrease) of (\$8,421,557) 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, 2023, the unassigned fund balance in the general fund totaled \$15,839,052. This unassigned fund balance represents approximately 70% of the City's spending requirements experienced during 2023.

The City's community redevelopment fund had a fund balance of \$993,877 at the end of the year, an increase (decrease) of \$181,686 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 \$5,709,844, an increase (decrease) of (\$9,566,361) from the prior year, and all of which was restricted and related to disaster recovery expenditures in excess of debt proceeds and grant/insurance reimbursements. 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 \$790k 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 \$439,186 above budget and Sales Taxes were \$164,232 above budget. Various grants were not received in FY 2023 for a shortfall of \$3 million due to project delays. Most departments had budget savings during FY 2023 due to delayed projects and cost cutting measures.

All of these factors combined resulted in a \$3,105,838 increase to General Fund Balance for Fiscal Year 2023.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2023, the City had over \$130 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 \$47,704,239 at year-end, compared to \$54,839,233 one year earlier. The proceeds of these loans, which included 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 February 2024 show Bay County with a not seasonally adjusted rate of 3.9% which is higher than last year's numbers. Hiring new and retaining existing qualified staff continues to be a challenge during these economic times.
- 85% of the budgeted Property Tax revenue for FY 2024 has been collected as of March 2024. The approved millage rate of 4.0 will be adequate to meet budget projections. No preliminary evaluations have been received from the Bay County Property Appraiser as of March 2024. The necessity for a millage rate adjustment will be analyzed in the coming months.
- The City issued the following development orders during Fiscal Year 2023: 0 Single Family developments, 9 Commercial developments and 15 Multi-Family developments.

- The fiscal year 2023 adopted budget for all funds utilized the prior year's final adopted budget and the City's actual financial results as the baseline from which priority setting and decisions were made to formulate the new budget. The final budget was further modified to reflect changing revenues projections and anticipated changes in expenditure trends.
- Inflationary trends for Bay County are consistent with those trends experienced at the state and national levels 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, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 23,005,428	\$ 9,423,767	\$ 32,429,195
Receivables, net	373,236	519,021	892,257
Internal balances	557,933	(557,933)	-
Due from other governments	3,618,770	285,417	3,904,187
Notes receivable	-	64,409	64,409
Inventories	69,558	749,511	819,069
Prepays	334,503	27,621	362,124
Restricted assets:			
Equity in pooled cash	10,882,239	10,531,003	21,413,242
Net pension asset	662,585	-	662,585
Capital assets:			
Capital assets, not being depreciated	41,506,018	15,370,357	56,876,375
Other capital assets, net of depreciation	36,922,903	37,717,353	74,640,256
Total assets	<u>\$ 117,933,173</u>	<u>\$ 74,130,526</u>	<u>\$ 192,063,699</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ -	\$ 284,391	\$ 284,391
Deferred outflows related to pensions	2,688,396	535,266	3,223,662
Deferred outflows related to OPEB	184,859	45,181	230,040
Total deferred outflows	<u>\$ 2,873,255</u>	<u>\$ 864,838</u>	<u>\$ 3,738,093</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,980,723	\$ 405,955	\$ 2,386,678
Customer deposits	10,010	539,250	549,260
Unearned revenue	-	145,311	145,311
Accrued interest payable	67,269	49,509	116,778
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	3,117,159	1,236,165	4,353,324
Compensated absences	73,561	15,629	89,190
Due in more than one year:			
Bonds and notes payable	25,484,530	17,866,385	43,350,915
Compensated absences	451,874	88,567	540,441
Total OPEB liability	587,376	143,559	730,935
Net pension liability	3,470,803	1,234,708	4,705,511
Total liabilities	<u>\$ 35,243,305</u>	<u>\$ 21,725,038</u>	<u>\$ 56,968,343</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 794,503	\$ 79,640	\$ 874,143
Deferred inflows related to OPEB	143,558	35,087	178,645
Total deferred inflows of resources	<u>\$ 938,061</u>	<u>\$ 114,727</u>	<u>\$ 1,052,788</u>
NET POSITION			
Net investment in capital assets	\$ 75,687,232	\$ 34,269,551	\$ 109,956,783
Restricted for:			
Pensions	1,107,656	-	1,107,656
Law enforcement education	3,495	-	3,495
Capital expansion	3,202,643	8,841,554	12,044,197
Infrastructure	2,533,175	-	2,533,175
Debt service	-	1,639,940	1,639,940
Community redevelopment	993,877	-	993,877
Unrestricted	1,096,984	8,404,554	9,501,538
Total net position	<u>\$ 84,625,062</u>	<u>\$ 53,155,599</u>	<u>\$ 137,780,661</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, 2023**

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	\$ 3,683,353	\$ 497,598	\$ 554	\$ -	\$ (3,185,201)	\$ -	\$ (3,185,201)
Planning and code enforcement	774,685	618,508	-	-	(156,177)	-	(156,177)
Public safety	8,038,146	389,026	272,576	302,604	(7,073,940)	-	(7,073,940)
Transportation	2,205,797	-	415,683	4,108,463	2,318,349	-	2,318,349
Economic environment	340,888	-	-	96,324	(244,564)	-	(244,564)
Culture and recreation	2,262,690	182,770	220,725	85,545	(1,773,650)	-	(1,773,650)
Disaster recovery	946,172	-	6,680,023	-	5,733,851	-	5,733,851
Interest on long-term debt	789,519	-	-	-	(789,519)	-	(789,519)
Total governmental activities	<u>19,041,250</u>	<u>1,687,902</u>	<u>7,589,561</u>	<u>4,592,936</u>	<u>(5,170,851)</u>	<u>-</u>	<u>(5,170,851)</u>
Business-type activities:							
Water	3,434,571	4,518,853	163,051	408,491	-	1,655,824	1,655,824
Sewer	4,367,597	3,926,009	-	1,575,974	-	1,134,386	1,134,386
Stormwater	2,205,370	1,199,935	285,417	114,746	-	(605,272)	(605,272)
Sanitation	2,401,792	2,888,244	-	-	-	486,452	486,452
Total business-type activities	<u>12,409,330</u>	<u>12,533,041</u>	<u>448,468</u>	<u>2,099,211</u>	<u>-</u>	<u>2,671,390</u>	<u>2,671,390</u>
Total primary government	<u>\$ 31,450,580</u>	<u>\$ 14,220,943</u>	<u>\$ 8,038,029</u>	<u>\$ 6,692,147</u>	<u>(5,170,851)</u>	<u>2,671,390</u>	<u>(2,499,461)</u>
General revenues:							
Property taxes					5,993,682	-	5,993,682
Sales taxes					2,634,153	-	2,634,153
Infrastructure surtax					2,566,190	-	2,566,190
Communications service tax					585,727	-	585,727
Casualty and fire insurance premium taxes					330,400	-	330,400
Public service taxes					1,781,669	-	1,781,669
Other taxes					142,566	-	142,566
Franchise fees					1,635,485	-	1,635,485
State revenue sharing					1,242,430	-	1,242,430
Investment earnings					1,699,266	795,079	2,494,345
Miscellaneous revenues					406,916	-	406,916
Gain (loss) on disposition of capital assets					-	(103,089)	(103,089)
Transfers					(3,508,051)	3,508,051	-
Total general revenues and transfers					<u>15,510,433</u>	<u>4,200,041</u>	<u>19,710,474</u>
Change in net position					10,339,582	6,871,431	17,211,013
Net position - beginning of year, as restated					74,285,480	46,284,168	120,569,648
Net position - ending of year					<u>\$ 84,625,062</u>	<u>\$ 53,155,599</u>	<u>\$ 137,780,661</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, 2023**

	<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	\$ 16,483,002	\$ 997,494	\$ 6,762,482	\$ 6,425,389	\$ 3,219,300	\$ 33,887,667
Receivables, net	373,236	-	-	-	-	373,236
Due from other governments	3,520,694	-	98,076	-	-	3,618,770
Due from other funds	557,933	-	-	-	-	557,933
Inventories	69,558	-	-	-	-	69,558
Prepaid items	201,388	-	133,115	-	-	334,503
Total assets	<u>\$ 21,205,811</u>	<u>\$ 997,494</u>	<u>\$ 6,993,673</u>	<u>\$ 6,425,389</u>	<u>\$ 3,219,300</u>	<u>\$ 38,841,667</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 791,353	\$ 3,617	\$ 1,185,753	\$ -	\$ -	\$ 1,980,723
Customer deposits	10,010	-	-	-	-	10,010
Total liabilities	<u>801,363</u>	<u>3,617</u>	<u>1,185,753</u>	<u>-</u>	<u>-</u>	<u>1,990,733</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	-	-	98,076	-	-	98,076
FUND BALANCES						
Nonspendable:						
Inventories	69,558	-	-	-	-	69,558
Prepaid items	201,388	-	133,115	-	-	334,503
Restricted for:						
Law enforcement education	3,495	-	-	-	-	3,495
Building department	141,469	-	-	-	-	141,469
Infrastructure	2,533,175	-	-	-	-	2,533,175
Community redevelopment	-	993,877	-	-	-	993,877
Disaster recovery and relief	-	-	5,576,729	-	-	5,576,729
Capital expansion	-	-	-	-	3,202,643	3,202,643
Debt service	-	-	-	-	16,657	16,657
Assigned to:						
ARPA future projects	-	-	-	6,425,389	-	6,425,389
Subsequent year's budget	1,616,311	-	-	-	-	1,616,311
Unassigned	15,839,052	-	-	-	-	15,839,052
Total fund balances	<u>20,404,448</u>	<u>993,877</u>	<u>5,709,844</u>	<u>6,425,389</u>	<u>3,219,300</u>	<u>36,752,858</u>
Total liabilities and fund balances	<u>\$ 21,205,811</u>	<u>\$ 997,494</u>	<u>\$ 6,993,673</u>	<u>\$ 6,425,389</u>	<u>\$ 3,219,300</u>	<u>\$ 38,841,667</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, 2023

Fund balances - total governmental funds		\$ 36,752,858
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	98,990,632	
Less: accumulated depreciation	<u>(20,561,711)</u>	78,428,921
On the governmental fund statements, deferred inflows are recorded for inflows of resources that do not provide current financial resources and are therefore not reported as revenue at the fund level.		
	<u>98,076.00</u>	<u>98,076</u>
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 liability	(3,470,803)	
Net pension asset	662,585	
Deferred outflows related to pensions	2,688,396	
Deferred inflows related to pensions	<u>(794,503)</u>	(914,325)
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	(587,376)	
Deferred outflows related to OPEB	184,859	
Deferred inflows related to OPEB	<u>(143,558)</u>	(546,075)
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	(28,601,689)	
Accrued interest payable	(67,269)	
Compensated absences	<u>(525,435)</u>	(29,194,393)
Net position of governmental activities		<u><u>\$ 84,625,062</u></u>

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

CITY OF LYNN HAVEN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General	Community Redevelopment	Disaster Recovery	American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 11,098,928	\$ 649,367	\$ -	\$ -	\$ -	\$ 11,748,295
Permits and fees	2,276,604	-	-	-	744,650	3,021,254
Intergovernmental	8,310,575	-	7,890,194	264,650	-	16,465,419
Charges for services	2,742,206	-	-	-	-	2,742,206
Fines and forfeitures	35,131	-	-	-	-	35,131
Investment income	734,400	45,314	420,243	374,076	125,233	1,699,266
Miscellaneous	142,733	-	-	-	-	142,733
Total revenues	<u>25,340,577</u>	<u>694,681</u>	<u>8,310,437</u>	<u>638,726</u>	<u>869,883</u>	<u>35,854,304</u>
Expenditures						
Current:						
General government	4,419,307	-	-	-	-	4,419,307
Planning and code enforcement	685,326	-	-	-	-	685,326
Public safety	6,953,326	-	-	-	-	6,953,326
Transportation	1,476,647	-	-	-	-	1,476,647
Economic environment	130,294	115,200	-	-	-	245,494
Culture and recreation	2,174,205	-	-	-	-	2,174,205
Disaster recovery	-	-	946,172	-	-	946,172
Capital outlay	5,059,816	397,795	15,468,358	-	-	20,925,969
Debt service:						
Principal	1,741,580	-	2,040,000	-	-	3,781,580
Interest and fiscal charges	84,799	-	714,834	-	-	799,633
Total expenditures	<u>22,725,300</u>	<u>512,995</u>	<u>19,169,364</u>	<u>-</u>	<u>-</u>	<u>42,407,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,615,277</u>	<u>181,686</u>	<u>(10,858,927)</u>	<u>638,726</u>	<u>869,883</u>	<u>(6,553,355)</u>
Other financing sources (uses)						
Transfers in	133,500	-	-	-	-	133,500
Transfers out	-	-	-	(3,517,829)	(133,500)	(3,651,329)
Sale of capital assets	79,113	-	-	-	-	79,113
Insurance recoveries	277,948	-	1,292,566	-	-	1,570,514
Total other financing sources (uses)	<u>490,561</u>	<u>-</u>	<u>1,292,566</u>	<u>(3,517,829)</u>	<u>(133,500)</u>	<u>(1,868,202)</u>
Net change in fund balances	<u>3,105,838</u>	<u>181,686</u>	<u>(9,566,361)</u>	<u>(2,879,103)</u>	<u>736,383</u>	<u>(8,421,557)</u>
Fund balances, beginning of year	17,298,610	812,191	15,276,205	9,304,492	2,482,917	45,174,415
Fund balances, end of year	<u>\$ 20,404,448</u>	<u>\$ 993,877</u>	<u>\$ 5,709,844</u>	<u>\$ 6,425,389</u>	<u>\$ 3,219,300</u>	<u>\$ 36,752,858</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, 2023**

Net change in fund balances - total governmental funds	\$ (8,421,557)
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	20,925,969
Depreciation expense	(2,193,937)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, CIP project abandoned) is to decrease net position.	
	(26,848)
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	3,781,580
The effect of the transfer of the net book value of capital assets from the business-type activities into the governmental activities.	
	9,778
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds (deferred FEMA collections).	
	(2,475,889)
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	(1,136,390)
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	10,114
Change in compensated absences liability	(61,355)
Change in total OPEB liability	(71,883)
Change in net position of governmental activities	\$ 10,339,582

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, 2023

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Stormwater	Sanitation	
ASSETS					
Equity in pooled cash and cash equivalents	\$ 6,591,807	\$ 16,065	\$ -	\$ 2,815,895	\$ 9,423,767
Accounts receivable, net	202,034	196,205	-	120,782	519,021
Due from other governments	-	-	285,417	-	285,417
Notes receivable	-	64,409	-	-	64,409
Inventories	550,606	160,796	32,502	5,607	749,511
Prepaid items	9,336	18,285	-	-	27,621
Restricted current assets:					
Equity in pooled cash	438,870	706,838	139,966	-	1,285,674
Total current assets	7,792,653	1,162,598	457,885	2,942,284	12,355,420
Noncurrent assets:					
Restricted cash	1,957,508	6,490,583	797,238	-	9,245,329
Capital assets:					
Land	332,211	968,620	-	-	1,300,831
Construction in progress	4,359,816	8,644,435	1,065,275	-	14,069,526
Buildings	760,731	549,156	-	-	1,309,887
Improvements	17,769,194	33,219,338	12,667,875	-	63,656,407
Machinery and equipment	1,686,009	2,584,647	-	2,276,414	6,547,070
Accumulated depreciation	(9,033,273)	(21,224,790)	(2,296,404)	(1,241,544)	(33,796,011)
Total capital assets, net	15,874,688	24,741,406	11,436,746	1,034,870	53,087,710
Total noncurrent assets	17,832,196	31,231,989	12,233,984	1,034,870	62,333,039
Total assets	\$ 25,624,849	\$ 32,394,587	\$ 12,691,869	\$ 3,977,154	\$ 74,688,459
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on bond refunding	\$ 135,328	\$ 149,063	\$ -	\$ -	\$ 284,391
Deferred outflows related to pensions	210,095	86,422	117,501	121,248	535,266
Deferred outflows related to OPEB	15,240	9,559	8,907	11,475	45,181
Total deferred outflows of resources	\$ 360,663	\$ 245,044	\$ 126,408	\$ 132,723	\$ 864,838
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 91,095	\$ 138,159	\$ 138,982	\$ 37,719	\$ 405,955
Deposits	539,250	-	-	-	539,250
Unearned revenue	145,311	-	-	-	145,311
Due to other funds	-	-	557,933	-	557,933
Compensated absences	8,473	3,026	1,832	2,298	15,629
Payable from restricted assets:					
Current maturities on long-term debt	411,316	684,883	139,966	-	1,236,165
Accrued interest payable	27,554	21,955	-	-	49,509
Total current liabilities	1,222,999	848,023	838,713	40,017	2,949,752
Noncurrent liabilities:					
Bonds and notes payable, net	5,081,099	8,462,156	4,323,130	-	17,866,385
Compensated absences	48,013	17,147	10,384	13,023	88,567
Total OPEB liability	48,422	30,372	28,302	36,463	143,559
Net pension liability	484,629	199,351	271,042	279,686	1,234,708
Total noncurrent liabilities	5,662,163	8,709,026	4,632,858	329,172	19,333,219
Total liabilities	\$ 6,885,162	\$ 9,557,049	\$ 5,471,571	\$ 369,189	\$ 22,282,971
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	\$ 31,259	\$ 12,858	\$ 17,482	\$ 18,041	\$ 79,640
Deferred inflows related to OPEB	11,834	7,423	6,918	8,912	35,087
Total deferred inflows of resources	\$ 43,093	\$ 20,281	\$ 24,400	\$ 26,953	\$ 114,727
NET POSITION					
Net investment in capital assets	\$ 10,517,601	\$ 15,743,430	\$ 6,973,650	\$ 1,034,870	\$ 34,269,551
Restricted for debt service	537,976	1,101,964	-	-	1,639,940
Restricted for capital expansion	1,830,848	6,073,502	937,204	-	8,841,554
Unrestricted	6,170,832	143,405	(588,548)	2,678,865	8,404,554
Total net position	\$ 19,057,257	\$ 23,062,301	\$ 7,322,306	\$ 3,713,735	\$ 53,155,599

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, 2023

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Stormwater	Sanitation	
Operating revenues					
Charges for services	\$ 4,444,179	\$ 3,826,608	\$ 1,199,675	\$ 2,886,560	\$ 12,357,022
Other revenues	74,674	99,401	260	1,684	176,019
Total operating revenues	<u>4,518,853</u>	<u>3,926,009</u>	<u>1,199,935</u>	<u>2,888,244</u>	<u>12,533,041</u>
Operating expenses					
Personal services	1,203,883	565,435	661,010	639,973	3,070,301
Operating expenses	1,624,964	2,602,341	1,120,180	1,509,997	6,857,482
Depreciation	487,788	965,750	308,348	251,822	2,013,708
Total operating expenses	<u>3,316,635</u>	<u>4,133,526</u>	<u>2,089,538</u>	<u>2,401,792</u>	<u>11,941,491</u>
Operating income (loss)	<u>1,202,218</u>	<u>(207,517)</u>	<u>(889,603)</u>	<u>486,452</u>	<u>591,550</u>
Nonoperating revenues (expenses)					
Interest earnings	328,733	284,721	57,570	124,055	795,079
Intergovernmental grants	163,051	-	285,417	-	448,468
Gain (loss) on disposition of capital assets	-	3,407	(114,313)	7,817	(103,089)
Interest and amortization expense	(127,714)	(234,071)	(115,832)	-	(477,617)
Total nonoperating revenues (expenses)	<u>364,070</u>	<u>54,057</u>	<u>112,842</u>	<u>131,872</u>	<u>662,841</u>
Income (loss) before contributions and transfers	<u>1,566,288</u>	<u>(153,460)</u>	<u>(776,761)</u>	<u>618,324</u>	<u>1,254,391</u>
Capital contributions	408,491	1,575,974	114,746	-	2,099,211
Transfers in	-	3,294,210	1,723,619	-	5,017,829
Transfers out	-	-	-	(1,500,000)	(1,500,000)
Change in net position	<u>1,974,779</u>	<u>4,716,724</u>	<u>1,061,604</u>	<u>(881,676)</u>	<u>6,871,431</u>
Net position, beginning of year, as restated	17,082,478	18,345,577	6,260,702	4,595,411	46,284,168
Net position, end of year	<u>\$ 19,057,257</u>	<u>\$ 23,062,301</u>	<u>\$ 7,322,306</u>	<u>\$ 3,713,735</u>	<u>\$ 53,155,599</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, 2023

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Stormwater	Sanitation	
Cash flows from operating activities					
Cash received from customers	\$ 4,590,069	\$ 4,010,956	\$ 914,518	\$ 2,954,056	\$ 12,469,599
Cash paid to employees	(1,079,457)	(553,375)	(587,847)	(557,759)	(2,778,438)
Cash paid to suppliers	(1,770,455)	(2,759,511)	(1,077,952)	(1,563,177)	(7,171,095)
Net cash provided by (used in) operating activities	<u>1,740,157</u>	<u>698,070</u>	<u>(751,281)</u>	<u>833,120</u>	<u>2,520,066</u>
Cash flows from noncapital financing activities					
Transfers from other funds	-	2,769,298	1,723,619	-	4,492,917
Transfers to other funds	-	-	-	(1,500,000)	(1,500,000)
Intergovernmental grant proceeds	163,051	-	285,417	-	448,468
Interfund payables	-	-	557,933	-	557,933
Net cash provided by (used in) noncapital financing activities	<u>163,051</u>	<u>2,769,298</u>	<u>2,566,969</u>	<u>(1,500,000)</u>	<u>3,999,318</u>
Cash flows from capital and related financing activities					
Impact fees	408,491	1,575,974	114,746	-	2,099,211
Acquisition and construction of capital assets	(338,443)	(426,207)	(2,489,869)	(726,347)	(3,980,866)
Proceeds from sale of capital assets	49,065	5,329	-	133,144	187,538
Principal payments of long-term debt	(400,579)	(2,799,827)	(136,422)	-	(3,336,828)
Interest paid	(121,217)	(229,820)	(115,832)	-	(466,869)
Net cash provided by (used in) capital and related financing activities	<u>(402,683)</u>	<u>(1,874,551)</u>	<u>(2,627,377)</u>	<u>(593,203)</u>	<u>(5,497,814)</u>
Cash flows from investing activities					
Interest received	328,733	284,721	57,570	124,055	795,079
Net cash provided by (used in) investing activities	<u>328,733</u>	<u>284,721</u>	<u>57,570</u>	<u>124,055</u>	<u>795,079</u>
Net change in cash and cash equivalents	<u>1,829,258</u>	<u>1,877,538</u>	<u>(754,119)</u>	<u>(1,136,028)</u>	<u>1,816,649</u>
Cash and cash equivalents, beginning of year	7,158,927	5,335,948	1,691,323	3,951,923	18,138,121
Cash and cash equivalents, end of year	<u>\$ 8,988,185</u>	<u>\$ 7,213,486</u>	<u>\$ 937,204</u>	<u>\$ 2,815,895</u>	<u>\$ 19,954,770</u>
Cash and cash equivalents classified as:					
Unrestricted	\$ 6,591,807	\$ 16,065	\$ -	\$ 2,815,895	\$ 9,423,767
Restricted	2,396,378	7,197,421	937,204	-	10,531,003
Total cash and cash equivalents	<u>\$ 8,988,185</u>	<u>\$ 7,213,486</u>	<u>\$ 937,204</u>	<u>\$ 2,815,895</u>	<u>\$ 19,954,770</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 1,202,218	\$ (207,517)	\$ (889,603)	\$ 486,452	\$ 591,550
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	487,788	965,750	308,348	251,822	2,013,708
Changes in assets and liabilities:					
Accounts receivable	59,735	97,888	-	65,812	223,435
Due from other governments	-	-	(285,417)	-	(285,417)
Notes receivable	-	9,945	-	-	9,945
Inventories	(70,560)	(160,796)	(11,349)	(3,139)	(245,844)
Prepaid items	22,347	7,197	-	-	29,544
Accounts payable and accrued liabilities	(97,278)	(3,571)	53,577	(50,041)	(97,313)
Deposits	11,481	-	-	-	11,481
Unearned revenue	-	(22,886)	-	-	(22,886)
Compensated absences	(7,080)	(4,725)	(8,634)	2,583	(17,856)
Net pension liability (asset)	127,345	16,785	79,564	75,508	299,202
Total OPEB liability	4,161	-	2,233	4,123	10,517
Net cash provided by (used in) operating activities	<u>\$ 1,740,157</u>	<u>\$ 698,070</u>	<u>\$ (751,281)</u>	<u>\$ 833,120</u>	<u>\$ 2,520,066</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, 2023**

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents with trustee	\$ 529,922
Prepaid benefit payments	<u>3,982</u>
Receivables	
Employer contributions receivable	52,442
Interest and dividends receivable	45,182
Total receivables	<u>97,624</u>
Investments, at fair value	
U.S. Treasury obligations	1,878,402
Mutual funds - fixed income	8,523,668
Mutual funds - equity	26,915,907
Real estate funds	4,672,936
Total investments	<u>41,990,913</u>
Total assets	<u><u>\$ 42,622,441</u></u>
LIABILITIES	
Accounts payable	\$ 7,153
Total liabilities	<u><u>\$ 7,153</u></u>
NET POSITION	
Restricted for pensions	<u><u>\$ 42,615,288</u></u>

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, 2023

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,026,490
Plan members	439,854
State - insurance premium taxes	381,423
Total contributions	1,847,767
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	3,414,630
Interest and dividends	999,786
Total investment earnings	4,414,416
Less: investment expense	(150,978)
Net investment income (loss)	4,263,438
Total additions	6,111,205
Deductions	
Benefit payments and refunds	2,417,312
Administrative expenses	152,787
Total deductions	2,570,099
Change in net position	3,541,106
Net position restricted for pensions, beginning of year	39,074,182
Net position restricted for pensions, end of year	\$ 42,615,288

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(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 one blended component unit, 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.

(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.

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.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

(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, except for FEMA reimbursements which are considered available when collected within 90 days of fiscal year-end. 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, 2023

(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:

Governmental Impact Fee Fund—This is a special revenue fund used to account for impact fees received for capital expansion.

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, 2023

(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, 2023

(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, 2023

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

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

Assets	Years
Buildings	50 years
Improvements	50 years
Machinery and equipment	5 – 15 years

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

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

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

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

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

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

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

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

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(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 assets 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 assets 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, as well as deferred inflows related to unavailable grant revenues in the disaster recovery fund. 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, 2023

(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, 2023, the carrying amount of the City’s deposits was \$32,429,295. 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 the 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, 2023

(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, 2023

(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, 2023, 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, 2023, there were no unfunded commitments.

A summary of investments held at fair value as of September 30, 2023, is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at fair value				
U.S. Treasury obligations	\$ 1,998,280	-	\$ 1,998,280	-
Mutual funds - fixed income	7,974,384	7,974,384	-	-
Mutual funds - equity	22,740,149	22,740,149	-	-
Real estate funds	5,279,768	-	-	5,279,768
Total investments	<u>\$ 37,992,581</u>	<u>\$ 30,714,533</u>	<u>\$ 1,998,280</u>	<u>\$ 5,279,768</u>

The pension plans also held a total of \$529,922 of cash and cash equivalents held in the pension trust funds.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(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, 2023.

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, 2023, 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, 2023, the investment portfolios met the foreign securities limitations.

(4) **Accounts Receivable:**

The City’s receivables consisted of the following at September 30, 2023:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund	\$ 373,236	\$ -	\$ 373,236
Total – Governmental Activities	373,236	-	373,236
Business-Type Activities:			
Water Fund	202,034	-	202,034
Sanitation Fund	120,782	-	120,782
Sewer Fund	196,205	-	196,205
Totals – Business-Type Activities	519,021	-	519,021
Totals	\$ 892,257	\$ -	\$ 892,257

In addition to accounts receivable, the City also recorded \$3,904,187 in due from other governments at September 30, 2023, of which part consists of \$98,076 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, 2023

(5) Interfund Loans and Transfers:

Due to and Due from Funds

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, 2023, \$557,933 was due from the stormwater fund to the general fund.

Interfund Transfers

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, 2023, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities:		
General Fund:		
Governmental Impact Fee Fund	\$ 133,500	\$ -
Governmental Impact Fee Fund:		
General Fund	-	133,500
Business-type Activities:		
Sanitation Fund:		
Stormwater Fund	-	500,000
Sewer Fund	-	1,000,000
Sewer Fund:		
ARPA Fund	2,294,210	-
Sanitation Fund	1,000,000	-
Stormwater Fund:		
ARPA Fund	1,223,619	-
Sanitation Fund	500,000	-
ARPA Fund:		
Sewer Fund	-	2,294,211
Stormwater Fund	-	1,223,618
Totals - All Funds	<u>\$ 5,151,329</u>	<u>\$ 5,151,329</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 4,806,782	\$ 185,094	\$ -	\$ 4,991,876
Construction in progress	21,866,975	20,469,084	(5,821,917)	36,514,142
Total assets not being depreciated	<u>26,673,757</u>	<u>20,654,178</u>	<u>(5,821,917)</u>	<u>41,506,018</u>
Capital assets being depreciated:				
Buildings	4,280,767	926,032	-	5,206,799
Improvements	36,673,712	4,895,885	-	41,569,597
Machinery and equipment	10,963,222	316,785	(571,789)	10,708,218
Total assets being depreciated	51,917,701	6,138,702	(571,789)	57,484,614
Less: accumulated depreciation	(18,877,499)	(2,193,937)	509,725	(20,561,711)
Total capital assets being depreciated, net	<u>33,040,202</u>	<u>3,944,765</u>	<u>(62,064)</u>	<u>36,922,903</u>
Governmental activities capital assets, net	<u>\$ 59,713,959</u>	<u>\$ 24,598,943</u>	<u>\$ (5,883,981)</u>	<u>\$ 78,428,921</u>

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,313,831	\$ -	\$ (13,000)	\$ 1,300,831
Construction in progress	12,608,850	3,109,677	(1,649,001)	14,069,526
Total assets not being depreciated	<u>13,922,681</u>	<u>3,109,677</u>	<u>(1,662,001)</u>	<u>15,370,357</u>
Capital assets being depreciated:				
Buildings	1,309,887	1,649,001	-	2,958,888
Improvements	61,982,906	24,500	-	62,007,406
Machinery and equipment	7,578,607	801,695	(1,833,232)	6,547,070
Total assets being depreciated	70,871,400	2,475,196	(1,833,232)	71,513,364
Less: accumulated depreciation	(33,385,505)	(2,013,708)	1,603,202	(33,796,011)
Total capital assets being depreciated, net	<u>37,485,895</u>	<u>461,488</u>	<u>(230,030)</u>	<u>37,717,353</u>
Business-type activities capital assets, net	<u>\$ 51,408,576</u>	<u>\$ 3,571,165</u>	<u>\$ (1,892,031)</u>	<u>\$ 53,087,710</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 443,843
Public safety	471,120
Public works	904,251
Economic environment	71,922
Culture and recreation	302,801
Total depreciation expense - governmental activities	<u>\$ 2,193,937</u>
Business-type activities:	
Water	\$ 487,788
Sewer	965,750
Stormwater	308,348
Sanitation	251,822
Total depreciation expense - business-type activities	<u>\$ 2,013,708</u>

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

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable	\$ 32,383,269	\$ -	\$ (3,781,580)	\$ 28,601,689	\$ 3,117,159
Compensated absences	464,080	951,815	(890,460)	525,435	73,561
Total long-term liabilities	<u>\$ 32,847,349</u>	<u>\$ 951,815</u>	<u>\$ (4,672,040)</u>	<u>\$ 29,127,124</u>	<u>\$ 3,190,720</u>
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable	\$ 8,486,050	\$ -	\$ (2,724,420)	\$ 5,761,630	\$ 615,160
Discounts / premiums	180,059	-	(16,586)	163,473	-
Net bonds payable	8,666,109	-	(2,741,006)	5,925,103	615,160
Notes payable	13,789,855	-	(612,408)	13,177,447	621,005
Compensated absences	122,052	178,402	(196,258)	104,196	15,629
Total long-term liabilities	<u>\$ 22,578,016</u>	<u>\$ 178,402</u>	<u>\$ (3,549,672)</u>	<u>\$ 19,206,746</u>	<u>\$ 1,251,794</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Bonds and notes payable in the City’s governmental activities at September 30, 2023, 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, 2023, was \$743,370.

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, 2023, was \$1,538,000.

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, 2023, was \$460,319.

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, 2023, was \$25,860,000.

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
2024	\$ 3,117,159	\$ 729,674	\$ 3,846,833
2025	2,706,840	665,260	3,372,100
2026	2,763,970	606,244	3,370,214
2027	2,598,230	543,350	3,141,580
2028	2,430,490	484,182	2,914,672
2029-2033	12,310,000	1,477,464	13,787,464
2034	2,675,000	80,250	2,755,250
Total	<u>\$ 28,601,689</u>	<u>\$ 4,586,424</u>	<u>\$ 33,188,113</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Bonds payable in the City's business-type activities at September 30, 2023, were comprised of the following obligations:

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, 2023, was \$1,245,000.

Sales Tax Revenue Refunding Bonds, Series 2016, were issued to (1) refund the City's outstanding sales tax revenue refunding bonds, series 2005, (2) fund a required deposit to the reserve account through purchase of a reserve account insurance policy, and (3) pay related costs of issuance. The series 2016 bonds are payable solely from and secured by an irrevocable pledge of the City's half-cent sales tax revenues. The bonds are split 43%/57% between governmental/business type activities. The interest rates are from 1.6% to 2.3% and the bonds mature December 2027. Bonds are due in payments of interest annually on December 1st. The outstanding balance at September 30, 2023, was \$1,001,630.

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, 2023, was \$3,515,000.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Notes payable in the City’s business-type activities at September 30, 2023, 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, 2023, was \$2,890,645.

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, 2023, was \$5,823,706.

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, 2023, was \$4,463,096.

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
2024	\$ 1,236,165	\$ 335,967	\$ 1,572,132
2025	1,254,884	314,498	1,569,382
2026	1,276,622	290,412	1,567,034
2027	1,306,383	267,439	1,573,822
2028	1,331,298	244,438	1,575,736
2029-2033	5,977,226	856,676	6,833,902
2034-2038	3,681,793	398,292	4,080,085
2039-2043	2,015,932	187,701	2,203,633
2044-2048	858,774	40,942	899,716
Total	<u>\$ 18,939,077</u>	<u>\$ 2,936,365</u>	<u>\$ 21,875,442</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, 2023. 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.

**CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(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.

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, 2021, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Employees	155
Inactive Employees	3
	158

Total OPEB Liability—The City’s total OPEB liability of \$730,935 was measured as of September 30, 2022, and was determined by an actuarial valuation as of September 30, 2021.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	5.25%
Discount rate	2.43%
Healthcare cost trend rate	5.5%
	Ultimate rate reached in 2037 4.5%

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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-2020.

For the fiscal year ended September 30, 2023, changes in the total OPEB liability were as follows:

Balance at September 30, 2022	<u>\$</u>	804,994
Changes for a year:		
Service cost		91,464
Interest		19,041
Differences between expected and actual experience		-
Changes of assumptions		(141,758)
Benefit payments – implicit rate subsidy		<u>(42,806)</u>
Net changes		<u>(74,059)</u>
Balance at September 30, 2023	<u>\$</u>	<u>730,935</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 2.43%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.43%) or 1% higher (3.43%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 680,552	\$ 730,935	\$ 787,116

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	\$ 807,963	\$ 730,935	\$ 665,658

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$125,209. At September 30, 2023, 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	\$ 183,732	\$ 3,477
Contributions subsequent to measurement date	-	-
Changes of assumptions	46,308	175,168
Total	\$ 230,040	\$ 178,645

Deferred outflows for contributions subsequent to the measurement date will be recognized in fiscal year 2024. 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
2024	\$ 14,704
2025	14,708
2026	17,020
2027	16,376
2028	7,814
Thereafter	(19,228)

(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, 2023**

(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, 2022:

	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Employees Plan</u>
Inactive plan members or beneficiaries receiving benefits	19	8	56
Inactive plan members entitled to but not yet receiving benefits	19	3	70
Active participants	36	19	113
Total current membership	74	30	239

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, 2023

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

Firefighters Plan

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

General Employees Plan

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

The most recent experience studies for the police, fire, and general employees' plans were conducted as of March 6, 2018; June 8, 2022; and March 6, 2018; respectively.

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(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, 2023, contributions to the City's pension plans were as follows:

	Police Plan	Fire Plan	General Employees Plan	Total
Employee contributions	\$ 109,550	\$ 58,122	\$ 272,182	\$ 439,854
City contributions	131,180	163,420	731,890	1,026,490
State contributions	222,779	158,644	-	381,423
Total contributions	<u>\$ 463,509</u>	<u>\$ 380,186</u>	<u>\$ 1,004,072</u>	<u>\$ 1,847,767</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, 2023:

	Target Asset Allocation		
Asset Class	Police Plan	Fire Plan	General Employees Plan
Domestic equity	50%	45%	50%
International equity	14%	15%	14%
Broad Market Fixed Income	0%	20%	0%
Bonds	20%	2.5%	20%
Global Fixed Income	0%	2.5%	0%
TIPS	6%	10%	6%
Private real estate	10%	5%	10%

Net Pension Liability

The components of the net pension liability of the pension plans at September 30, 2023, were as follows:

	Police Plan	Fire Plan	General Employees Plan	Total
Total pension liability	\$ 11,457,628	\$ 9,949,565	\$ 25,251,021	\$ 46,658,214
Plan fiduciary net position	(12,120,213)	(9,192,051)	(21,303,024)	(42,615,288)
Net pension liability (asset)	<u>\$ (662,585)</u>	<u>\$ 757,514</u>	<u>\$ 3,947,997</u>	<u>\$ 4,042,926</u>
Plan fiduciary net position as percentage of total pension liability (asset)	105.78%	92.39%	84.37%	91.34%

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

The total pension liability was determined by an actuarial valuation as of October 1, 2022, and measurement date of September 30, 2023, 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	7.20%	7.20%	7.40%
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, 2023, are summarized in the following table:

	<u>Long Term Expected Real Rate of Return</u>		
<u>Asset Class</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>General Employees Plan</u>
Domestic equity	7.2%	7.5%	7.2%
International equity	2.9%	8.5%	2.9%
Broad Market Fixed Income	N/A	2.5%	N/A
Fixed Income (Non-Core)	N/A	2.5%	N/A
Bonds	1.7%	N/A	1.7%
Global Fixed Income	N/A	3.5%	N/A
TIPS	5.1%	4.5%	5.1%
Private Real Estate	5.9%	4.5%	5.9%

Discount rate:

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Changes in net pension liability:

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

	Police Plan		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 10,104,213	\$ 12,910,474	\$ (2,806,261)
Changes for year:			
Service cost	349,459	-	349,459
Interest	737,064	-	737,064
Differences between expected/actual experience	(110,787)	-	(110,787)
Share plan allocation	50,115	-	50,115
Contributions - employer	-	200,636	(200,636)
Contributions - employee	-	100,754	(100,754)
Contributions - state	-	190,230	(190,230)
Net investment income	-	(1,743,389)	1,743,389
Benefit payments, including refunds	(574,556)	(574,556)	-
Administrative expenses	-	(30,528)	30,528
Net changes	451,295	(1,856,853)	2,308,148
Ending Balance	<u>\$ 10,555,508</u>	<u>\$ 11,053,621</u>	<u>\$ (498,113)</u>

	Fire Plan		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 8,830,831	\$ 9,566,166	\$ (735,335)
Changes for year:			
Service cost	191,908	-	191,908
Interest	642,924	-	642,924
Differences between expected/actual experience	150,346	-	150,346
Change of assumption	192,649	-	192,649
Share plan allocation	8,528	-	8,528
Contributions - employer	-	185,749	(185,749)
Contributions - employee	-	56,192	(56,192)
Contributions - state	-	107,055	(107,055)
Net investment income	-	(1,221,494)	1,221,494
Benefit payments, including refunds	(309,646)	(309,646)	-
Administrative expenses	-	(40,444)	40,444
Net changes	876,709	(1,222,588)	2,099,297
Ending Balance	<u>\$ 9,707,540</u>	<u>\$ 8,343,578</u>	<u>\$ 1,363,962</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

	General Plan		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	(a)	(b)	(a-b)
Beginning Balance	\$ 22,620,231	\$ 23,265,837	\$ (645,606)
Changes for year:			
Service cost	712,469	-	712,469
Interest	1,706,413	-	1,706,413
Differences between expected/actual experience	(227,672)	-	(227,672)
Contributions - employer	-	822,776	(822,776)
Contributions - employee	-	256,304	(256,304)
Net investment income	-	(3,467,381)	3,467,381
Benefit payments, including refunds	(1,161,054)	(1,161,054)	-
Administrative expenses	-	(39,499)	39,499
Net changes	<u>1,030,156</u>	<u>(3,588,854)</u>	<u>4,619,010</u>
Ending Balance	<u>\$ 23,650,387</u>	<u>\$ 19,676,983</u>	<u>\$ 3,973,404</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	7.20%	\$ 662,330	\$ (662,585)	\$ (1,764,424)
Fire	7.20%	1,939,193	757,514	(216,512)
General Employees	7.40%	6,673,183	3,947,997	1,656,767
Total		<u>\$ 9,274,706</u>	<u>\$ 4,042,926</u>	<u>\$ (324,169)</u>

For the year ended September 30, 2023, 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	11.27 %	10.64 %	11.08 %

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, 2023

(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, 2023, the City recognized pension expense of \$563,110, \$637,698 and \$1,618,475, in the Police, Fire, and General Employees, pension plans, respectively, for a total of \$2,819,283.

At September 30, 2023, 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	\$ 16,065	\$ 77,716	\$ 276,116	\$ 481,537	\$ -	\$ 254,649
Changes of assumptions	44,967	-	200,050	36,018	185,295	-
Net different between projected and actual investment earnings	461,755	-	513,187	-	1,526,227	-
	<u>\$ 522,787</u>	<u>\$ 77,716</u>	<u>\$ 989,353</u>	<u>\$ 517,555</u>	<u>\$ 1,711,522</u>	<u>\$ 254,649</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
2024	\$ (76,372)	\$ 155,016	\$ 305,066
2025	139,996	174,052	335,632
2026	468,424	293,883	955,767
2027	(86,977)	(74,530)	(139,592)
2028	-	(76,623)	-
Thereafter	-	-	-

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(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, 2023:

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	\$ 147,009	\$ 73,494	\$ 309,419	\$ 529,922
Prepaid benefit payments	-	-	3,982	3,982
Receivables				
Employer contributions receivable	-	52,355	87	52,442
Interest and dividends receivable	15,004	2,037	28,141	45,182
Total receivables	15,004	54,392	28,228	97,624
Investments, at fair value				
U.S. Treasury obligations	671,955	-	1,206,447	1,878,402
Mutual funds - fixed income	2,453,269	2,001,687	4,068,712	8,523,668
Mutual funds - equity	7,803,699	5,582,479	13,529,729	26,915,907
Real estate funds	1,029,277	1,485,099	2,158,560	4,672,936
Total investments	11,958,200	9,069,265	20,963,448	41,990,913
Total assets	<u>\$ 12,120,213</u>	<u>\$ 9,197,151</u>	<u>\$ 21,305,077</u>	<u>\$ 42,622,441</u>
LIABILITIES				
Accounts payable	\$ -	\$ 5,100	\$ 2,053	\$ 7,153
Total liabilities	<u>\$ -</u>	<u>\$ 5,100</u>	<u>\$ 2,053</u>	<u>\$ 7,153</u>
NET POSITION				
Restricted for pensions	<u>\$ 12,120,213</u>	<u>\$ 9,192,051</u>	<u>\$ 21,303,024</u>	<u>\$ 42,615,288</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(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	\$ 131,180	\$ 163,420	\$ 731,890	\$ 1,026,490
Plan members	109,550	58,122	272,182	439,854
State - insurance premium taxes	222,779	158,644	-	381,423
Total contributions	<u>463,509</u>	<u>380,186</u>	<u>1,004,072</u>	<u>1,847,767</u>
Investment earnings:				
Net appreciation (depreciation) in fair value of investments	1,029,167	736,983	1,648,480	3,414,630
Interest and dividends	242,582	187,966	569,238	999,786
Total investment earnings	<u>1,271,749</u>	<u>924,949</u>	<u>2,217,718</u>	<u>4,414,416</u>
Less: investment expense	<u>(41,411)</u>	<u>(45,789)</u>	<u>(63,778)</u>	<u>(150,978)</u>
Net investment income (loss)	<u>1,230,338</u>	<u>879,160</u>	<u>2,153,940</u>	<u>4,263,438</u>
Total additions	<u>1,693,847</u>	<u>1,259,346</u>	<u>3,158,012</u>	<u>6,111,205</u>
Deductions				
Benefit payments and refunds	580,159	365,274	1,471,879	2,417,312
Administrative expenses	47,096	45,599	60,092	152,787
Total deductions	<u>627,255</u>	<u>410,873</u>	<u>1,531,971</u>	<u>2,570,099</u>
Change in net position	<u>1,066,592</u>	<u>848,473</u>	<u>1,626,041</u>	<u>3,541,106</u>
Net position restricted for pensions, beginning of year	11,053,621	8,343,578	19,676,983	39,074,182
Net position restricted for pensions, end of year	<u>\$ 12,120,213</u>	<u>\$ 9,192,051</u>	<u>\$ 21,303,024</u>	<u>\$ 42,615,288</u>

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

Subsequent to issuance of the September 30, 2022, financial statements, management became aware of the following errors: understatement of water fund fixed assets, sewer fund fixed assets, stormwater fixed assets and sanitation fixed assets due to improper recording in the prior period. The net effect of these adjustments on beginning fund balance and net position were as follows:

	<u>Net Position</u>		
	<u>Sanitation</u>	<u>Sewer</u>	<u>Business-type Activities</u>
Net position – 9/30/22, originally reported	\$ 4,464,923	\$ 17,851,453	\$ 45,659,556
Capital asset restatements	<u>130,488</u>	<u>494,124</u>	<u>624,612</u>
Net position – 9/30/22, as restated	<u>\$ 4,595,411</u>	<u>\$ 18,345,577</u>	<u>\$ 46,284,168</u>

CITY OF LYNN HAVEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(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 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 Town’s financial statements:

- (a) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends the existing guidance related to the calculation and disclosures surrounding the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.
- (b) GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. GASB Statement No. 102 requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. The provisions for GASB 102 are effective for fiscal years beginning after June 15, 2024.

(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, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 9,864,415	\$ 10,006,127	\$ 11,098,928	\$ 1,092,801
Permits and fees	1,708,884	1,674,642	2,276,604	601,962
Intergovernmental	8,539,431	10,269,029	8,310,575	(1,958,454)
Charges for services	2,556,086	3,066,712	2,742,206	(324,506)
Fines and forfeitures	61,863	35,300	35,131	(169)
Investment income	25,888	459,642	734,400	274,758
Miscellaneous	104,904	86,332	142,733	56,401
Total revenues	<u>22,861,471</u>	<u>25,597,784</u>	<u>25,340,577</u>	<u>(257,207)</u>
Expenditures				
Current:				
General government	6,459,837	8,840,476	4,419,307	4,421,169
Planning and code enforcement	744,798	736,664	685,326	51,338
Public safety	6,854,513	6,761,462	6,953,326	(191,864)
Transportation	1,467,801	1,553,215	1,476,647	76,568
Economic environment	149,664	157,231	130,294	26,937
Culture and recreation	2,174,457	2,421,643	2,174,205	247,438
Disaster recovery	5,000	5,000	-	5,000
Capital outlay	5,065,500	5,396,823	5,059,816	337,007
Debt service:				
Principal	1,241,580	1,757,541	1,741,580	15,961
Interest and fiscal charges	90,970	68,838	84,799	(15,961)
Total expenditures	<u>24,254,120</u>	<u>27,698,893</u>	<u>22,725,300</u>	<u>4,973,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,392,649)</u>	<u>(2,101,109)</u>	<u>2,615,277</u>	<u>4,716,386</u>
Other financing sources (uses)				
Transfers in	-	496,938	133,500	(363,438)
Sale of capital assets	9,765	1,126	79,113	77,987
Insurance recoveries	20,000	80,236	277,948	197,712
Total other financing sources (uses)	<u>29,765</u>	<u>578,300</u>	<u>490,561</u>	<u>(87,739)</u>
Net change in fund balances	<u>(1,362,884)</u>	<u>(1,522,809)</u>	<u>3,105,838</u>	<u>4,628,647</u>
Fund balances, beginning of year	17,298,610	17,298,610	17,298,610	-
Fund balances, end of year	<u>\$ 15,935,726</u>	<u>\$ 15,775,801</u>	<u>\$ 20,404,448</u>	<u>\$ 4,628,647</u>

CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 652,326	\$ 649,367	\$ 649,367	\$ -
Charges for services	-	32,000	-	(32,000)
Investment income	1,326	16,595	45,314	28,719
Miscellaneous	32,000	-	-	-
Total revenues	<u>685,652</u>	<u>697,962</u>	<u>694,681</u>	<u>(3,281)</u>
Expenditures				
Current:				
Economic environment	370,652	237,214	115,200	122,014
Capital outlay	<u>315,000</u>	<u>810,000</u>	<u>397,795</u>	<u>412,205</u>
Total expenditures	<u>685,652</u>	<u>1,047,214</u>	<u>512,995</u>	<u>534,219</u>
Net change in fund balances	<u>-</u>	<u>(349,252)</u>	<u>181,686</u>	<u>530,938</u>
Fund balances, beginning of year	812,191	812,191	812,191	-
Fund balances, end of year	<u>\$ 812,191</u>	<u>\$ 462,939</u>	<u>\$ 993,877</u>	<u>\$ 530,938</u>

CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DISASTER RECOVERY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 15,672,000	\$ 5,500,000	\$ 7,890,194	\$ 2,390,194
Investment income	83,349	429,311	420,243	(9,068)
Total revenues	<u>15,755,349</u>	<u>5,929,311</u>	<u>8,310,437</u>	<u>2,381,126</u>
Expenditures				
Current:				
Disaster recovery	1,083,350	880,156	946,172	(66,016)
Capital outlay	17,492,000	17,309,667	15,468,358	1,841,309
Debt service:				
Principal	2,040,000	2,040,000	2,040,000	-
Interest and fiscal charges	714,834	714,834	714,834	-
Total expenditures	<u>21,330,184</u>	<u>20,944,657</u>	<u>19,169,364</u>	<u>1,775,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,574,835)</u>	<u>(15,015,346)</u>	<u>(10,858,927)</u>	<u>4,156,419</u>
Other financing sources (uses)				
Proceeds from insurance recovery	1,320,000	1,320,000	1,292,566	(27,434)
Total other financing sources (uses)	<u>1,320,000</u>	<u>1,320,000</u>	<u>1,292,566</u>	<u>(27,434)</u>
Net change in fund balances	<u>(4,254,835)</u>	<u>(13,695,346)</u>	<u>(9,566,361)</u>	<u>4,128,985</u>
Fund balances, beginning of year	15,276,205	15,276,205	15,276,205	-
Fund balances, end of year	<u>\$ 11,021,370</u>	<u>\$ 1,580,859</u>	<u>\$ 5,709,844</u>	<u>\$ 4,128,985</u>

CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - AMERICAN RESCUE PLAN ACT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ -	\$ -	\$ 264,650	\$ 264,650
Investment income	-	-	374,076	374,076
Total revenues	<u>-</u>	<u>-</u>	<u>638,726</u>	<u>638,726</u>
Expenditures				
Current:				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over				
(under) expenditures	<u>-</u>	<u>-</u>	<u>638,726</u>	<u>638,726</u>
Other financing sources (uses)				
Transfers out	-	-	(3,517,829)	(3,517,829)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,517,829)</u>	<u>(3,517,829)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(2,879,103)</u>	<u>(2,879,103)</u>
Fund balances, beginning of year	9,304,492	9,304,492	9,304,492	-
Fund balances, end of year	<u>\$ 9,304,492</u>	<u>\$ 9,304,492</u>	<u>\$ 6,425,389</u>	<u>\$ (2,879,103)</u>

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 91,464	\$ 90,387	\$ 38,416	\$ 28,852	\$ 29,919	\$ 31,264
Interest	19,041	11,084	16,559	16,800	14,049	11,375
Difference between expected and actual experience	-	254,294	-	(8,117)	-	-
Changes of assumptions	(141,758)	(57,590)	59,916	28,165	(17,715)	(18,548)
Benefit payments - implicit rate subsidy	(42,806)	(22,251)	(19,694)	(9,641)	(8,886)	(8,171)
Net change in total OPEB liability	(74,059)	275,924	95,197	56,059	17,367	15,920
Total OPEB liability - beginning of year	804,993	529,069	433,872	377,813	360,446	344,526
Total OPEB liability - end of year	<u>\$ 730,934</u>	<u>\$ 804,993</u>	<u>\$ 529,069</u>	<u>\$ 433,872</u>	<u>\$ 377,813</u>	<u>\$ 360,446</u>
Covered payroll	\$ 7,867,987	\$ 7,464,740	\$ 6,699,324	\$ 6,309,403	\$ 6,413,679	\$ 6,041,521
Total OPEB liability as a percentage of covered payroll	9.29%	10.78%	7.90%	6.88%	5.89%	5.97%

Notes to Schedule:

Valuation date:	9/30/2021	9/30/2021	9/30/2020	9/30/2019	9/30/2017	9/30/2017
Measurement date:	9/30/2022	9/30/2021	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:

2.43%	2.43%	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, 2023
(UNAUDITED)

Fiscal Year Ending September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 351,020	\$ 349,459	\$ 379,167	\$ 343,348	\$ 291,738	\$ 292,982	\$ 291,017	\$ 283,018	\$ 309,736	\$ 288,702
Interest	769,693	737,064	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	66,389	50,115	40,153	259,346	-	-	-	-	-	-
Changes in benefit terms	213,800	-	-	-	-	-	-	-	-	-
Difference between actual and expected experience	21,421	(110,787)	(89,286)	50,470	25,008	(139,696)	(218,184)	(331,547)	(91,536)	-
Changes of assumptions	59,956	-	-	82,940	-	201,250	-	192,001	-	-
Benefit payments including refunds of contributions	(580,159)	(574,556)	(603,065)	(468,919)	(411,401)	(444,770)	(335,766)	(258,147)	(245,073)	(205,289)
Net change in total pension liability	902,120	451,295	433,709	706,373	560,928	557,925	355,451	474,763	526,906	588,057
Total pension liability - beginning	10,555,508	10,104,213	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)	<u>\$ 11,457,628</u>	<u>\$ 10,555,508</u>	<u>\$ 10,104,213</u>	<u>\$ 9,670,504</u>	<u>\$ 8,964,131</u>	<u>\$ 8,403,203</u>	<u>\$ 7,845,278</u>	<u>\$ 7,489,827</u>	<u>\$ 7,015,064</u>	<u>\$ 6,488,158</u>
Total Fiduciary Net Position										
Contributions - employer	\$ 131,180	\$ 200,636	\$ 128,300	\$ 117,112	\$ 146,262	\$ 141,741	\$ 118,040	\$ 193,200	\$ 195,344	\$ 196,175
Contributions - state	222,779	190,230	170,305	159,783	156,463	145,902	131,498	140,590	117,198	113,349
Contributions - employee	109,550	100,754	94,376	90,085	88,027	74,601	62,126	62,391	64,089	68,969
Net investment income	1,230,338	(1,743,389)	2,283,166	1,666,103	360,191	471,140	751,774	654,947	(50,536)	571,109
Benefit payments, including refunds of contributions	(580,159)	(574,556)	(603,065)	(468,919)	(411,401)	(444,770)	(335,766)	(258,147)	(245,073)	(205,289)
Administrative expense	(47,096)	(30,528)	(39,118)	(33,841)	(30,204)	(44,223)	(33,448)	(17,500)	(23,874)	(22,490)
Net change in plan fiduciary net position	1,066,592	(1,856,853)	2,033,964	1,530,323	309,338	344,391	694,224	775,481	57,148	721,823
Plan fiduciary net position - beginning	11,053,621	12,910,474	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)	<u>\$ 12,120,213</u>	<u>\$ 11,053,621</u>	<u>\$ 12,910,474</u>	<u>\$ 10,876,510</u>	<u>\$ 9,346,187</u>	<u>\$ 9,036,849</u>	<u>\$ 8,692,458</u>	<u>\$ 7,998,234</u>	<u>\$ 7,222,753</u>	<u>\$ 7,165,605</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (662,585)</u>	<u>\$ (498,113)</u>	<u>\$ (2,806,261)</u>	<u>\$ (1,206,006)</u>	<u>\$ (382,056)</u>	<u>\$ (633,646)</u>	<u>\$ (847,180)</u>	<u>\$ (508,407)</u>	<u>\$ (207,689)</u>	<u>\$ (677,447)</u>
Plan fiduciary net position as a percentage of the total pension liability	105.78%	104.72%	127.77%	112.47%	104.26%	107.54%	110.80%	106.79%	102.96%	110.44%
Covered payroll	\$ 2,190,989	\$ 2,014,983	\$ 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	-30.24%	-24.72%	-148.53%	-66.93%	-21.70%	-42.47%	-68.18%	-40.74%	-16.13%	N/A

CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIRE PLAN
SEPTEMBER 30, 2023
(UNAUDITED)

Fiscal Year Ending September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 219,461	\$ 191,908	\$ 187,751	\$ 214,465	\$ 216,588	\$ 187,963	\$ 214,294	\$ 202,696	\$ 189,512	\$ 191,324
Interest	706,466	642,924	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	34,322	8,528	5,192	2,630	-	-	581,215	-	-	-
Changes in benefit terms	106,783		-	-	(483)	-	-	-	-	-
Difference between actual and expected experience	(512,943)	150,346	(87,519)	311,990	251,609	159,539	(404,891)	(92,891)	(74,169)	-
Changes of assumptions	53,210	192,649	-	(108,054)	-	-	211,236	245,505	-	-
Benefit payments including refunds of contributions	(365,274)	(309,646)	(209,131)	(217,917)	(297,697)	(175,605)	(173,914)	(191,309)	(167,618)	(152,334)
Net change in total pension liability	242,025	876,709	505,883	759,275	674,503	632,884	275,236	566,949	374,067	441,884
Total pension liability - beginning	9,707,540	8,830,831	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)	<u>\$ 9,949,565</u>	<u>\$ 9,707,540</u>	<u>\$ 8,830,831</u>	<u>\$ 8,324,948</u>	<u>\$ 7,565,673</u>	<u>\$ 6,891,170</u>	<u>\$ 6,258,286</u>	<u>\$ 5,983,050</u>	<u>\$ 5,416,101</u>	<u>\$ 5,042,034</u>
Total Fiduciary Net Position										
Contributions - employer	\$ 163,420	\$ 185,749	\$ 218,422	\$ 173,792	\$ 155,695	\$ 64,246	\$ 85,694	\$ 179,059	\$ 175,202	\$ 191,373
Contributions - state	158,644	107,055	100,384	95,261	87,729	76,493	72,877	104,062	98,068	104,243
Contributions - employee	58,122	56,192	52,194	53,187	55,243	51,084	46,004	39,616	40,940	41,786
Net investment income	879,160	(1,221,494)	1,526,972	700,117	291,181	543,931	688,348	263,560	(32,874)	509,709
Benefit payments, including refunds of contributions	(365,274)	(309,646)	(209,131)	(217,917)	(297,697)	(175,605)	(173,914)	(191,309)	(167,618)	(152,334)
Administrative expense	(45,599)	(40,444)	(32,439)	(34,051)	(31,169)	(31,788)	(36,876)	(25,141)	(20,389)	(12,167)
Net change in plan fiduciary net position	848,473	(1,222,588)	1,656,402	770,389	260,982	528,361	682,133	369,847	93,329	682,610
Plan fiduciary net position - beginning	8,343,578	9,566,166	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)	<u>\$ 9,192,051</u>	<u>\$ 8,343,578</u>	<u>\$ 9,566,166</u>	<u>\$ 7,909,764</u>	<u>\$ 7,139,375</u>	<u>\$ 6,878,393</u>	<u>\$ 6,350,032</u>	<u>\$ 5,667,899</u>	<u>\$ 5,298,052</u>	<u>\$ 5,204,723</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 757,514</u>	<u>\$ 1,363,962</u>	<u>\$ (735,335)</u>	<u>\$ 415,184</u>	<u>\$ 426,298</u>	<u>\$ 12,777</u>	<u>\$ (91,746)</u>	<u>\$ 315,151</u>	<u>\$ 118,049</u>	<u>\$ (162,689)</u>
Plan fiduciary net position as a percentage of the total pension liability	92.39%	85.95%	108.33%	95.01%	94.37%	99.81%	101.47%	94.73%	97.82%	103.23%
Covered payroll	\$ 1,162,432	\$ 1,123,829	\$ 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	65.17%	121.37%	-70.44%	39.03%	38.58%	1.25%	-9.97%	39.78%	14.28%	-19.47%

CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES PLAN
SEPTEMBER 30, 2023
(UNAUDITED)

Fiscal Year Ending September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 772,725	\$ 712,469	\$ 753,642	\$ 626,056	\$ 637,599	\$ 673,135	\$ 623,575	\$ 600,171	\$ 623,863	\$ 676,486
Interest	1,776,538	1,706,413	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	308,027	-	20,840	-	-	-	-	-	-	-
Difference between actual and expected experience	(31,837)	(227,672)	(292,341)	178,695	(326,079)	(555,192)	(257,496)	(350,889)	(268,672)	-
Changes of assumptions	247,060	-	-	(48,567)	-	(10,211)	-	438,382	-	-
Benefit payments including refunds of contributions	(1,471,879)	(1,161,054)	(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	1,600,634	1,030,156	965,499	736,333	369,323	692,619	663,368	1,371,858	693,674	1,675,047
Total pension liability - beginning	23,650,387	22,620,231	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)	\$ 25,251,021	\$ 23,650,387	\$ 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	\$ 731,890	\$ 822,776	\$ 786,782	\$ 745,042	\$ 752,407	\$ 861,267	\$ 793,327	\$ 887,944	\$ 834,900	\$ 816,608
Contributions - employee	272,182	256,304	236,766	221,497	199,258	179,027	165,681	162,257	163,518	184,927
Net investment income	2,153,940	(3,467,381)	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	(1,471,879)	(1,161,054)	(1,155,502)	(1,576,564)	(1,475,853)	(1,016,808)	(1,238,504)	(759,152)	(1,040,029)	(280,537)
Administrative expense	(60,092)	(39,499)	(35,857)	(39,040)	(36,704)	(59,210)	(32,941)	(28,181)	(28,388)	(19,746)
Net change in plan fiduciary net position	1,626,041	(3,588,854)	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	19,676,983	23,265,837	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)	\$ 21,303,024	\$ 19,676,983	\$ 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)	\$ 3,947,997	\$ 3,973,404	\$ (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	84.37%	83.20%	102.85%	89.85%	88.84%	90.31%	88.43%	84.99%	82.49%	86.62%
Covered payroll	\$ 5,441,940	\$ 5,077,809	\$ 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	72.55%	78.25%	-13.65%	49.61%	58.58%	55.48%	69.49%	88.80%	76.32%	61.98%

**CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE PLAN
SEPTEMBER 30, 2023
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2023	\$ 284,736	\$ 287,570	\$ (2,834)	\$ 2,190,989	13.13%
2022	317,370	340,751	(23,381)	2,014,983	16.91%
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: 10/1/2022
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: 7.20%
Investment Rate of Return: 7.20% per year compounded annually, net of investment related expenses.
Mortality:
Healthy Active Lives:
Female: PubMP-2018 (Below Median) for Employees, set forward one year.
Male: PubMP-2018 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubMP-2018 for Healthy Retirees, set forward one year.
Male: PubMP-2018 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubMP-2018 (Below Median) for Healthy Retirees.
Male: PubMP-2018 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubMP-2018 for Disabled Retirees / 20% PubMP-2018 for Disabled Retirees.

Retirement Age: Earlier of: 1) age 55 and 10 years of service, 2) 25 years of service, regardless of age, or 3) attainment of age 60. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year. We feel this assumption is reasonable based on the plan provisions.

Disability Rate Table:

Age	% Becoming Disabled During the Year	Age	% Becoming Disabled During the Year
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:

Years of Service	Rate	Years of Service	Rate
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%

**CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIRE PLAN
SEPTEMBER 30, 2023
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2023	\$ 258,236	\$ 287,742	\$ (29,506)	\$ 1,162,432	24.75%
2022	277,989	284,276	(6,287)	1,123,829	25.30%
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: 10/1/2022
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: 7.20%
Investment Rate of Return: 7.20% per year compounded annually, net of investment related expenses.
Mortality: Healthy Active Lives:
Female: PubMP-2018 for Employees, set forward one year.
Male: PubMP-2018 (Below Median) for Employees, set forward one year.
Healthy Retiree Lives:
Female: PubMP-2018 for Healthy Retirees, set forward one year.
Male: PubMP-2018 (Below Median) for Healthy Retirees, set forward one year.
Beneficiary Lives:
Female: PubMP-2018 (Below Median) for Healthy Retirees.
Male: PubMP-2018 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
80% PubMP-2018 for Disabled Retirees / 20% PubMP-2018 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%

**CITY OF LYNN HAVEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES PLAN
SEPTEMBER 30, 2023
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2023	\$ 731,346	\$ 731,890	\$ (544)	\$ 5,441,940	13.45%
2022	824,146	822,776	1,370	5,077,890	16.20%
2021	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%

Notes to Schedule:

Valuation Date: 10/1/2022
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: 7.40%
Investment Rate of Return: 7.40%, compounded annually, net of investment related expenses
Mortality: Healthy Active Lives:
Female: PubMP-2018 for Employees.
Male: PubMP-2018 (Below Median) for Employees, set back one year.
Healthy Retiree Lives:
Female: PubMP-2018 (Below Median) for Healthy Retirees.
Male: PubMP-2018 for Healthy Retirees, set back one year.
Beneficiary Lives:
Female: PubMP-2018 for Healthy Retirees.
Male: PubMP-2018 (Below Median) for Healthy Retirees, set back one year.
Disabled Lives:
PubMP-2018 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%		

**CITY OF LYNN HAVEN, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF INVESTMENT RETURNS
 SEPTEMBER 30, 2023**

For the Year Ending September 30,	Police Plan	Fire Plan	General Employees Plan
2023	11.27%	10.64%	11.08%
2022	-13.66%	-12.84%	-14.96%
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%

SUPPLEMENTARY INFORMATION

**CITY OF LYNN HAVEN, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	Impact Fees	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Equity in pooled cash and cash equivalents	\$ 3,202,643	\$ 16,657	\$ 3,219,300
Total assets	\$ 3,202,643	\$ 16,657	\$ 3,219,300
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -
FUND BALANCES			
Restricted for:			
Capital expansion	3,202,643	-	3,202,643
Debt service	-	16,657	16,657
Total fund balances	3,202,643	16,657	3,219,300
Total liabilities and fund balances	\$ 3,202,643	\$ 16,657	\$ 3,219,300

**CITY OF LYNN HAVEN, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Impact Fees</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Permits and fees	\$ 744,650	\$ -	\$ 744,650
Investment income	124,493	740	125,233
Total revenues	<u>869,143</u>	<u>740</u>	<u>869,883</u>
Expenditures			
Current:			
General government	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>869,143</u>	<u>740</u>	<u>869,883</u>
Other financing sources (uses)			
Transfers out	(133,500)	-	(133,500)
Net change in fund balances	<u>735,643</u>	<u>740</u>	<u>736,383</u>
Fund balances, beginning of year	2,467,000	15,917	2,482,917
Fund balances, end of year	<u><u>\$ 3,202,643</u></u>	<u><u>\$ 16,657</u></u>	<u><u>\$ 3,219,300</u></u>

**CITY OF LYNN HAVEN, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Federal/State Agency / Pass-Through Entity / Federal Program / State Project</u>	<u>ALN/ CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
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	2021-JAGD-BAY-2-4R-048	\$ 1,814
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	8C072	1,932
Total U.S. Department of Justice			<u>3,746</u>
<u>U.S. Department of Treasury</u>			
Indirect Programs:			
Pass-Through Florida Division of Emergency Management			
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	Y5193	264,650
Total U.S. Department of Treasury			<u>264,650</u>
<u>Department of Homeland Security / Federal Emergency Management Administration</u>			
Indirect Programs:			
Pass-Through Florida Division of Emergency Management			
Disaster Grants - Public Assistance	97.036	Hurricane Michael	4,149,614
Pass-Through Florida Executive Office of the Governor			
Disaster Grants - Public Assistance	97.036	D0635	69,353
Disaster Grants - Public Assistance	97.036	D0514	26,971
Total Department of Homeland Security / Federal Emergency Management Administration			<u>4,245,938</u>
Total Federal Awards			<u><u>\$ 4,514,334</u></u>
STATE FINANCIAL ASSISTANCE			
<u>State of Florida Department of Environmental Protection</u>			
Direct Programs:			
Restoration Deepwater Horizon Oil Spill	37.081	59-6007353-005	\$ 220,725
Total Florida Department of Environmental Protection			<u>220,725</u>
<u>State of Florida Department of Transportation</u>			
Direct Programs:			
Florida Shared-Use Nonmotorized (SUN) Trail Network Program	55.038	G1Z30	4,047,021
Local Transportation Projects	55.039	G2D87	61,442
Total Florida Department of Transportation			<u>4,108,463</u>
Total State Financial Assistance			<u><u>\$ 4,329,188</u></u>

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

CITY OF LYNN HAVEN, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Lynn Haven, Florida (the City), and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General. 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) or Chapter 10.550, Rules of the Auditor General, 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, 2023, the City incurred substantial costs related to Hurricane Michael. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under ALN 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, 2023, only some of the City's PWs from these storms had been approved by FEMA. As a result, there are \$6,098,262 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, 2023**

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 auditors' 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:

Assistance Listing Number	Program Name
97.036	Disaster Grants – Public Assistance

State Financial Assistance:

Internal control over major State projects:

Material weakness(es) identified? _____ yes X no

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

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

Any audit findings disclosed that are required to be reported in accordance Chapter 10.550? _____ yes X none reported

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

Identification of major State projects:

<u>CSFA Number</u>	<u>Program Name</u>
55.038	Florida Shared-Use Nonmotorized (SUN) Trail Network Program

B. Financial Statement Findings:

2023-001 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, including various restatements of beginning net position due to capital asset adjustments.

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, as well as the turnover of key accounting personnel during the year.

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 81.

E. **Corrective Action Plan:** See Management's Response to findings on page 82.

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

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

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the City of Lynn Haven, Florida's (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget *Compliance Supplement* and the requirements described in the Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2023. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs and state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

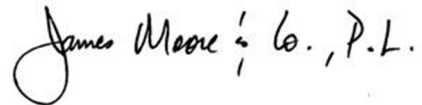
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Tallahassee, Florida
March 20, 2024

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 and City Commission,
City of Lynn Haven, Florida:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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, 2023, 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 20, 2024.

Report on 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

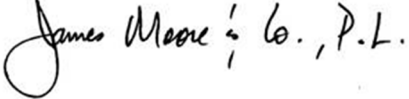
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying management's response to current year findings, as listed in the table of contents. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

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

Tallahassee, Florida
March 20, 2024

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

To the Honorable Mayor and City Commission,
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, 2023, and have issued our report thereon dated March 20, 2024.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 20, 2024, 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 2023-001 remains uncorrected from the second preceding audit. The following is a summary of prior year recommendations:

2022-001 Reconciliation of Account Balances and Audit Adjustments – Comment remains uncorrected from the third preceding audit; see repeat comment 2023-001.

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 no such recommendations.

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 CRA) 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.

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 20, 2024

James Moore & Co., P.L.



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor and City Commission,
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* (the Statute), for the year ended September 30, 2023. Management is responsible for the City's compliance with the Statute. Our responsibility is to obtain reasonable assurance by evaluating the City's compliance with the Statute for the year ended September 30, 2023 and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance for evaluating the City's compliance with the Statute for the year ended September 30, 2023, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the City's compliance with the Statute for the year ended September 30, 2023. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks that the City was not in compliance with the Statute for the year ended September 30, 2023 in all material respects, 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.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our examination.

In our opinion, the City of Lynn Haven, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

Tallahassee, Florida
March 20, 2024

A handwritten signature in black ink that reads 'James Moore & Co., P.L.' with a stylized flourish at the end.

JESSE NELSON
MAYOR

VICKIE GAINER
CITY MANAGER

KEVIN OBOS
CITY ATTORNEY



COMMISSIONERS
BRANDON ALDRIDGE
PAT PERNO
JAMIE WARRICK
JUDY VANDERGRIFT

SCHEDULE OF PRIOR AUDIT FINDINGS

2022-001 Reconciliation of Account Balances and Audit Adjustments – Corrective action not taken. See repeat comment 2023-001.

JESSE NELSON
MAYOR

VICKIE GAINER
CITY MANAGER

KEVIN OBOS
CITY ATTORNEY



COMMISSIONERS

SAM PEBBLES

PAT PERNO

JAMIE WARRICK

JUDY VANDERGRIFT

Management's Responses to Findings

2023-001 Reconciliation of Account Balances and Audit Adjustments

The City agrees that account balances must be reconciled on a timely basis. A new comprehensive Finance Department Policy and Procedures Manual has been written and approved by the City Commission. Additional financial software has been purchased to help with capital assets reporting. The implementation transition has presented some challenges. The Senior Accountant will be focusing on additional training on the best practices for optimizing capital asset reporting. The Finance team continues to work through the complex accounting matters because of Hurricane Michael. The Deputy Finance Director and Senior Accountant will continue to work with the audit team to further develop procedures to assure compliance with generally accepted accounting principles.

Individual Responsible: Daniel Peat, Deputy Finance Director
Estimated Completion Date: September 30, 2024

JESSE NELSON
MAYOR
VICKIE GAINER
CITY MANAGER
KEVIN OBOS
CITY ATTORNEY



COMMISSIONERS
SAM PEBBLES
PAT PERNO
JAMIE WARRICK
JUDY VANDERGRIFT

AFFIDAVIT

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

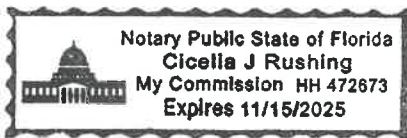
1. I am the Chief Financial Officer of The City of Lynn Haven which is a local governmental entity of the State of Florida;
2. The City of Lynn Haven adopted (Resolution Nos. 2018-07-716 and 2016-06-651) implementing impact fees; and
3. The City of Lynn Haven has complied and, as of the date of this 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 28th day of December, 2023.



NOTARY PUBLIC
Print Name CICELLA J. RUSHING

Personally known or produced identification _____

Type of identification produced: _____

My Commission Expires: 11/15/2025