

**CITY OF LAKE HELEN, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

CITY COMMISSION

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Vernon Burton
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CITY CLERK

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**CITY OF LAKE HELEN, FLORIDA
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Administrator,
City of Lake Helen, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Helen, Florida, (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Stormwater Management funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

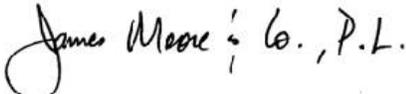
As discussed in Note (1)(o) and Note (13) to the financial statements, in 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The effects of this standard have also been applied to the financial statements as of September 30, 2014. See Note (9) for additional required disclosures and Note (13) for the effect of GASB 68 on beginning net position. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

James Moore & Co., P.L.

Daytona Beach, Florida
June 3, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the City of Lake Helen, Florida, (hereinafter referred to as the "City"), we offer 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, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage 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 Lake Helen, Florida exceeded its liabilities at the close of the most recent fiscal year by \$ 5,328,238 (net position). Of this amount, \$216,493 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$335,654 in fiscal year 2015. Net position of the City's governmental activities (General, Stormwater Management and General Trust funds) increased by \$226,362 (6%), while net position of its business type activities (Water Utility Fund) increased by \$109,292 (8%).
- The City's governmental funds reported combined ending fund balances of \$1,007,153 at the end of the current fiscal year, which increased by \$237,658 in comparison to the \$769,495 reported at the end of the prior fiscal year, as restated. Approximately \$391,982 of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of the 2015 fiscal year, unassigned fund balance for the General Fund was \$391,282 or 24.8% (90 days) of the total fiscal year 2015 General Fund expenditures of \$1,580,321. This represents an increase of \$221,061 in unassigned fund balance from the amount reported at the end of 2014, as restated.
- The City's total long-term debt obligations decreased by \$102,433 during the fiscal year, due to scheduled current-year principal maturities/reductions on these obligations. The City's combined long-term commitment for compensated absences decreased by \$53,143 in 2015 and totaled \$65,154 at year end while its reported other postemployment benefit obligation (OPEB) totaled \$235,572.

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 budgetary comparisons and fiduciary fund data.

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 financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and 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 economic resources focus as utilized by similar business activities in the private

sector. Information concerning all of 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, reporting 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 plan for the City's police officers), 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 and liabilities at the end of its fiscal year, with the difference between the two 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, stormwater management, solid waste management, and recreation and leisure services. The business-type activities of the City include its water utility system.

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 page 15.

The City maintains three 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 and general trust fund, both of which are considered to be major funds. Since only one other non-major fund exists (stormwater management fund), it is separately identified and aggregated with the City's major funds.

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 single enterprise fund (water utility system) is the only item 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 20 to 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 \$5,328,238 at the end of 2015, compared to \$4,992,584, as restated, at the end of 2014. This represents a total increase of \$335,651 or 7% over 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, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014(*)	2015	2014(*)	2015	2014(*)
Assets:						
Current and other assets.....	\$919,224	\$967,059	\$385,386	\$287,595	\$1,304,610	\$1,254,654
Restricted assets.....	\$629,702	\$0	\$228,682	\$252,578	\$858,384	\$252,578
Capital assets, net.....	<u>\$3,182,512</u>	<u>\$3,204,794</u>	<u>\$1,997,639</u>	<u>\$2,046,110</u>	<u>\$5,180,151</u>	<u>\$5,250,904</u>
Total assets.....	<u>\$4,731,438</u>	<u>\$4,171,853</u>	<u>\$2,611,707</u>	<u>\$2,586,283</u>	<u>\$7,343,145</u>	<u>\$6,758,136</u>
Liabilities:						
Long-term debt outstanding.....	\$610,470	\$0	\$966,827	\$1,028,059	\$1,577,297	\$1,028,059
Other liabilities.....	<u>\$276,037</u>	<u>\$522,159</u>	<u>\$161,573</u>	<u>\$114,123</u>	<u>\$437,610</u>	<u>\$636,282</u>
Total liabilities.....	<u>\$886,507</u>	<u>\$522,159</u>	<u>\$1,128,400</u>	<u>\$1,142,182</u>	<u>\$2,014,907</u>	<u>\$1,664,341</u>
Net assets:						
Invested in capital assets, net of related debt.....	\$3,182,512	\$3,204,794	\$1,072,013	\$1,018,051	\$4,254,525	\$4,222,845
Restricted.....	\$651,016	\$21,421	\$206,204	\$191,315	\$857,220	\$212,736
Unrestricted.....	<u>\$11,403</u>	<u>\$423,479</u>	<u>\$205,090</u>	<u>\$234,735</u>	<u>\$216,493</u>	<u>\$658,214</u>
Total net assets.....	<u>\$3,844,931</u>	<u>\$3,649,694</u>	<u>\$1,483,307</u>	<u>\$1,444,101</u>	<u>\$5,328,238</u>	<u>\$5,093,795</u>

(*) Balances for September 30, 2014 have not been restated for adjustments due to the implementation of GASB Statement No. 68. See also note 13 to the financial statements.

The most significant component of the City's net position (79.8%) is, by far, its investment in capital assets (land, buildings and equipment), less any related debt used to acquire or construct those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (16.1%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 4.1% of unrestricted net position, representing amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, totaled \$216,493 at year end, compared to \$658,214 one year earlier.

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 2015, total revenues showed an increase of \$128,755 to a total of \$2,416,283, compared to \$2,286,528 in the prior year. Approximately 18.9% of the City's revenue came from property taxes, and 27.2% of every dollar raised came from some other type of tax. Another 36.2% came from fees charged for services, while most of the remaining revenue (17.7%) included state and federal financial assistance, along with interest and other earnings.

The total cost of providing routine governmental programs and services for general government increased in 2015 by \$48,549, or 9.1%. The major portion of this increase was attributed to the contracting for additional finance support services and legal services needed during the year. The costs of providing and maintaining the City's solid waste disposal system decreased in 2015 by \$7,716 or 2.4%, while the related costs of maintaining the combined transportation and stormwater systems decreased by \$32,867 or 4.7%. The cost of routine programs and services for culture and recreation decreased by \$217,599, or 65.2%. This decrease was, for the most part, related to an overall decrease in operating costs of the Creative Arts

Café. The total costs of providing water services, excluding bad debt expense, for business-type activities decreased by \$40,781 or 8.2% in 2015, largely due to the reassignment of personnel costs to non-business-type activities combined with other major expense areas.

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

Changes in Net Position
For the Fiscal Years Ended September 30, 2015 and 2014

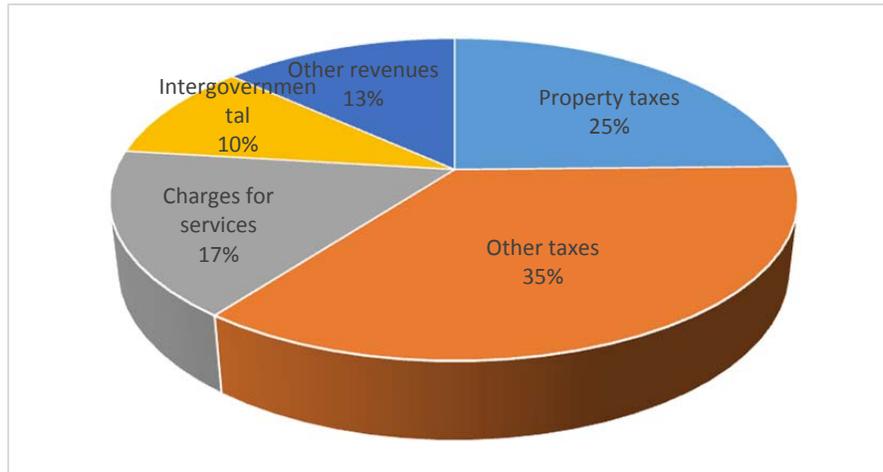
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014(*)</u>	<u>2015</u>	<u>2014(*)</u>	<u>2015</u>	<u>2014(*)</u>
Revenues:						
Property taxes.....	455,955	430,528	-	-	455,955	430,528
Other taxes.....	658,120	319,942	-	-	658,120	319,942
Charges for services.....	307,468	381,322	567,218	501,310	874,686	882,632
Intergovernmental.....	181,856	351,233	-	-	181,856	351,233
Other revenues.....	<u>\$244,666</u>	<u>298,332</u>	<u>1,000</u>	<u>2,000</u>	<u>245,666</u>	<u>300,332</u>
Total revenues.....	<u>1,848,065</u>	<u>1,781,357</u>	<u>568,218</u>	<u>503,310</u>	<u>2,416,283</u>	<u>2,284,667</u>
Expenses:						
General government.....	550,102	494,932	-	-	550,102	494,932
Public safety.....	378,635	431,012	-	-	378,635	431,012
Physical environment.....	286,505	304,863	-	-	286,505	304,863
Transportation.....	174,247	489,293	-	-	174,247	489,293
Culture/Recreation.....	100,575	306,478	-	-	100,575	306,478
Water and sewer utilities.....	-	-	428,176	464,218	428,176	464,218
Interest expense.....	-	-	30,750	35,489	30,750	35,489
Capital outlay.....	<u>120,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,343</u>	<u>-</u>
Total expenses.....	<u>1,610,407</u>	<u>2,026,578</u>	<u>458,926</u>	<u>499,707</u>	<u>2,069,333</u>	<u>2,526,285</u>
Transfers in (out).....	<u>-</u>	<u>9,780</u>	<u>-</u>	<u>(9,780)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets.	237,658	(235,441)	109,292	(6,177)	346,950	(241,618)
Net assets, beginning of year.....	<u>769,495</u>	<u>1,004,936</u>	<u>1,374,015</u>	<u>1,380,192</u>	<u>2,143,510</u>	<u>2,385,128</u>
Net assets, end of year.....	<u>\$ 1,007,153</u>	<u>\$ 769,495</u>	<u>1,483,307</u>	<u>1,374,015</u>	<u>2,490,460</u>	<u>2,143,510</u>

(*) Balances for September 30, 2014 have not been restated for adjustments due to the implementation of GASB Statement No. 68. See also note 13 to the financial statements.

Governmental Activities

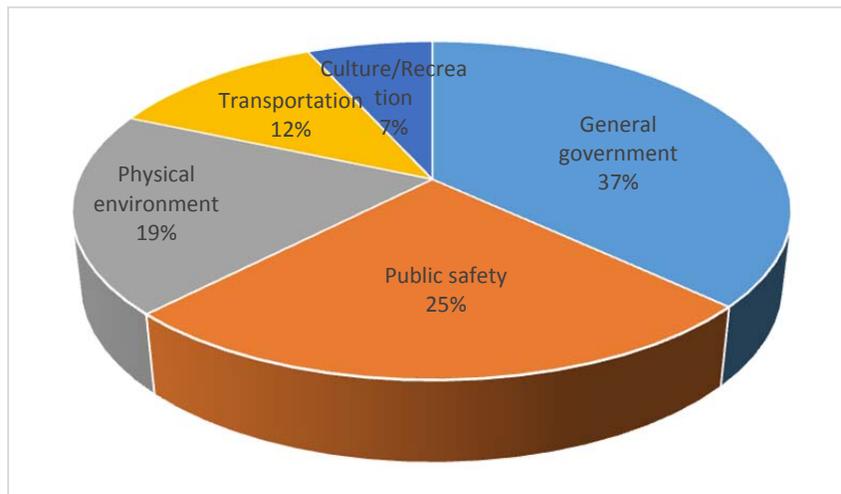
Revenues for the City's governmental activities totaled \$1,848,065 in 2015. This represents an increase of \$66,708 or 3.7% more than last year's reported revenues of \$1,781,357.

The following is a summary of the City's governmental revenues - by source:

Revenues by Source – Governmental Activities

Governmental expenses totaled \$1,610,407, which represents a decrease of \$416,171, or 20.5% from the prior year's total of \$2,026,578. This decrease in reported expenditures is attributable primarily to a reduction in personnel costs and grant-related expenditures.

The following is a summary of the City's governmental expenses - by function:

Expenditures by Function – Governmental Activities

Business-Type Activities

The major source of operating revenues for the City's business-type activities is charges for services (potable water), which increase of \$65,908 during the year to a total of \$567,218, or 13.1% more than utility billings of \$501,310 in 2014. This increase was reflective of consumer water rate increases in 2015 compared to 2014.

Total operating expenses of the water utility fund experienced decrease of \$40,781 or 8.2% in 2015 and totaled \$458,926, compared to \$499,707 incurred in 2014. The decrease was primarily due to a decrease in repairs and maintenance 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 \$1,007,153, which was an increase of \$237,658, or 31% compared with the \$769,495 amount reported last year, as restated.

The general fund is the chief operating fund of the City. As of September 30, 2015, the unassigned fund balance in the general fund totaled \$391,282. This unassigned fund balance represents approximately 24.8% (90 days/ 12.9 weeks) of the City's spending requirements experienced during 2015.

The Stormwater Management Fund is a special revenue fund which was established to separately account for the collection and disposition of the City's annual stormwater utility fees. At the end of 2015, there was a fund balance of \$102,901 , an increase of \$16,597 over the amount reported at the end of 2014.

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.

Unrestricted net position of the Water Utility Fund at the end of the year amounted to \$205,090 which is a decrease of \$29,645 compared with than last year's reported amount of \$234,735 Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Actual earned revenues were \$242,624 more than the amounts originally anticipated to be received during the year in the City's General Fund. Actual expenditures incurred were \$19,311 more than originally anticipated. The result was a net difference of unanticipated revenues over unanticipated expenditures of \$223,313. Grant revenues totaling \$245,745 were received during the year.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2015, the City had over \$5 million invested in a broad range of capital assets, including land buildings, park facilities, police equipment, public works equipment and water lines. This investment in capital assets, net of depreciation, for all activities is reflected in the following schedule:

Capital Assets
For the Fiscal Years Ended September 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land.....	\$ 483,170	483,170	-	-	483,170	483,170
Construction work in progress....	104,510	16,116	-	-	104,510	16,116
Buildings.....	1,575,056	1,575,056	-	-	1,575,056	1,575,056
Improvements other than buildings.....	1,902,265	1,897,565	2,999,149	2,999,149	4,901,414	4,896,714
Machinery and equipment.....	532,268	643,644	148,775	364,375	681,043	1,008,019
Accumulated depreciation.....	<u>(1,414,757)</u>	<u>(1,410,757)</u>	<u>(1,150,285)</u>	<u>(1,317,414)</u>	<u>(2,565,042)</u>	<u>(2,728,171)</u>
Net total.....	<u>\$ 3,182,512</u>	<u>3,204,794</u>	<u>1,997,639</u>	<u>2,046,110</u>	<u>5,180,151</u>	<u>5,250,904</u>

During 2014, the City invested \$93,094 in governmental capital assets and \$0 in business-type capital assets.

Long-Term Debt. The City has revenue note obligations payable to the State of Florida, Department of Environmental Protection Drinking Water State Revolving Fund Loan Program totaling \$925,626 at year end, compared to \$1,028,059 one year earlier. The proceeds of these loans, which were drawn in increments over 2011 and preceding years, were used to finance the construction of improvements to the City's potable water system. 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 Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Information Database Application (FREIDA). This agency estimates a countywide unemployment rate of 5.9% at the end of September 2016, which is slightly lower than the 6.8% rate experienced one year earlier. These estimates are consistent with the State of Florida 6.1% and 6.2% unemployment rates at September 2015 and 2014, respectively.
- Property tax revenue in fiscal year 2015 is expected to be 54% higher than the property taxes collected in fiscal year 2014. This is due exclusively to the Commission's approval and adoption of 9.8 millage rate for the 2016 tax levy. This increase occurred primarily due to the change in the way in which the City pays for fire protection services. Based on state forecasts, other state shared revenues are expected to increase due to signs of positive economic recovery.
- After several years of significant decreases in new home construction, resulting in a negative impact on building permit fees, the City is projecting increases in building permit fee revenues for fiscal year 2016 due to signs of increased building activity.

- The 2015-2016 budgets adopted for the General Fund, Stormwater Utility Fund and Water Utility Fund utilized the prior year's final adopted budgets as the baseline from which priority setting and decisions were made to formulate the new budgets, as well as analysis of previous, current and projected revenue and expenditure trends.
- The City Commission adopted a 2016 tax levy ad-valorem millage rate of 9.800 for fiscal year 2015-2016.
- Inflationary trends for Volusia County are consistent with those trends experienced at the state and national levels.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the City Administrator, City of Lake Helen, P.O. Box 39, Lake Helen, Florida 32744-0039.

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 267,503	\$ 143,697	\$ 411,200
Investments	368,740	40,000	408,740
Receivables, net	55,255	209,212	264,467
Internal balances	7,523	(7,523)	-
Due from other governments	114,093	-	114,093
Prepays	22,614	-	22,614
Property held for sale	83,496	-	83,496
Restricted assets:			
Cash and cash equivalents	17,300	216,844	234,144
Investments	350,000	-	350,000
Net pension asset	158,050	-	158,050
Capital assets:			
Land	483,170	-	483,170
Buildings and improvements	3,477,321	2,999,149	6,476,470
Equipment	532,268	148,775	681,043
Construction in progress	104,510	-	104,510
Accumulated depreciation	(1,414,757)	(1,150,285)	(2,565,042)
Total assets	<u>\$ 4,627,086</u>	<u>\$ 2,599,869</u>	<u>\$ 7,226,955</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 104,352</u>	<u>\$ 11,838</u>	<u>\$ 116,190</u>
LIABILITIES			
Accounts payable	\$ 142,088	\$ -	\$ 142,088
Accrued payroll and employee benefits	39,757	-	39,757
Customer deposits	80,841	41,291	122,132
Unearned revenue	750	-	750
Accrued interest payable	-	10,640	10,640
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	105,954	105,954
Compensated absences	12,601	3,688	16,289
Due in more than one year:			
Bonds and notes payable	-	819,672	819,672
Compensated absences	37,803	11,062	48,865
Net OPEB Obligation	188,219	47,353	235,572
Net pension liability	264,254	61,294	325,548
Total liabilities	<u>\$ 766,313</u>	<u>\$ 1,100,954</u>	<u>\$ 1,867,267</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 120,194</u>	<u>\$ 27,446</u>	<u>\$ 147,640</u>
NET POSITION			
Net investment in capital assets	\$ 3,182,512	\$ 1,072,013	\$ 4,254,525
Restricted for:			
Capital projects	21,890	109,237	131,127
Debt service	-	96,967	96,967
Pensions	158,050	-	158,050
Law enforcement training	4,406	-	4,406
Stormwater improvements	102,901	-	102,901
Permanent investment	350,000	-	350,000
Parks and recreation improvements	13,769	-	13,769
Unrestricted	11,403	205,090	216,493
Total net position	<u>\$ 3,844,931</u>	<u>\$ 1,483,307</u>	<u>\$ 5,328,238</u>

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

**CITY OF LAKE HELEN, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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	\$ 580,131	\$ 46,249	\$ 25,000	\$ 83,896	\$ (424,986)	\$ -	\$ (424,986)
Public safety	409,949	17,606	-	400	(391,943)	-	(391,943)
Physical environment	307,475	255,188	-	-	(52,287)	-	(52,287)
Transportation	207,860	46,683	33,312	25,790	(102,075)	-	(102,075)
Culture and recreation	116,288	25,902	-	400	(89,986)	-	(89,986)
Total governmental activities	<u>1,621,703</u>	<u>391,628</u>	<u>58,312</u>	<u>110,486</u>	<u>(1,061,277)</u>	<u>-</u>	<u>(1,061,277)</u>
Business-type activities:							
Water utility	458,926	567,218	-	1,000	-	109,292	109,292
Total business-type activities	<u>458,926</u>	<u>567,218</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>109,292</u>	<u>109,292</u>
Total primary government	<u>\$ 2,080,629</u>	<u>\$ 958,846</u>	<u>\$ 58,312</u>	<u>\$ 111,486</u>	<u>(1,061,277)</u>	<u>109,292</u>	<u>(951,985)</u>
General revenues:							
Property taxes					455,955	-	455,955
Sales and use taxes					135,996	-	135,996
Franchise and utility taxes					183,236	-	183,236
Public service taxes					262,569	-	262,569
Other taxes and fees					10,518	-	10,518
Insurance premium taxes					17,928	-	17,928
State revenue sharing					95,505	-	95,505
Other intergovernmental revenues					83,039	-	83,039
Investment earnings (loss)					2,830	-	2,830
Miscellaneous revenues					40,063	-	40,063
Total general revenues and transfers					<u>1,287,639</u>	<u>-</u>	<u>1,287,639</u>
Change in net position					226,362	109,292	335,654
Net position - beginning, as restated					3,618,569	1,374,015	4,992,584
Net position - ending					<u>\$ 3,844,931</u>	<u>\$ 1,483,307</u>	<u>\$ 5,328,238</u>

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

**CITY OF LAKE HELEN, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General</u>	<u>Stormwater Management</u>	<u>General Trust</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 181,902	\$ 102,901	\$ -	\$ 284,803
Investments	368,740	-	350,000	718,740
Receivables, net	55,255	-	-	55,255
Due from other governments	114,093	-	-	114,093
Due from other funds	7,523	-	-	7,523
Prepaid items	22,614	-	-	22,614
Property held for sale	83,496	-	-	83,496
Total assets	<u>\$ 833,623</u>	<u>\$ 102,901</u>	<u>\$ 350,000</u>	<u>\$ 1,286,524</u>
LIABILITIES				
Accounts payable	\$ 142,088	\$ -	\$ -	\$ 142,088
Accrued payroll and employee benefits	39,757	-	-	39,757
Customer deposits	80,841	-	-	80,841
Unearned revenue	750	-	-	750
Total liabilities	<u>\$ 263,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,436</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>\$ 15,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,935</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	\$ 22,614	\$ -	\$ -	\$ 22,614
Property held for sale	83,496	-	-	83,496
Permanent fund	-	-	350,000	350,000
Restricted for:				
Capital projects	21,890	-	-	21,890
Law enforcement training	4,406	-	-	4,406
Recreation and park improvements	13,769	-	-	13,769
Committed to:				
Stormwater improvements	-	102,901	-	102,901
Assigned to:				
Subsequent year's budget	16,795	-	-	16,795
Unassigned	391,282	-	-	391,282
Total fund balances	<u>\$ 554,252</u>	<u>\$ 102,901</u>	<u>\$ 350,000</u>	<u>\$ 1,007,153</u>

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

CITY OF LAKE HELEN, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Fund balances - total governmental funds \$ 1,007,153

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

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

Total governmental capital assets	4,597,269	
Less: accumulated depreciation	<u>(1,414,757)</u>	3,182,512

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	(264,254)	
Net pension asset	158,050	
Deferred outflows related to pensions	104,352	
Deferred inflows related to pensions	<u>(120,194)</u>	(122,046)

Because some property taxes and other revenues will not be collected for several months after the close of the City's fiscal year end, they are not considered as "available" revenues in the governmental funds, and therefore, reported as deferred inflows of unavailable revenues. In the statement of net position, which is presented on an accrual basis, no deferral is reported since the revenue is fully recognized in the statement of activities.

15,935

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 and other long-term liabilities consist of the following:

Net OPEB obligation	(188,219)	
Compensated absences	<u>(50,404)</u>	(238,623)

Net position of governmental activities \$ 3,844,931

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General</u>	<u>Stormwater Management</u>	<u>General Trust</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 1,114,075	\$ -	\$ -	\$ 1,114,075
Licenses and permits	54,163	100	-	54,263
Intergovernmental	181,856	-	-	181,856
Charges for services	260,885	46,583	-	307,468
Fines and forfeitures	17,596	-	-	17,596
Impact fees	2,300	-	-	2,300
Interest revenues (loss)	1,248	-	1,193	2,441
Miscellaneous	168,066	-	-	168,066
Total revenues	<u>1,800,189</u>	<u>46,683</u>	<u>1,193</u>	<u>1,848,065</u>
Expenditures				
Current:				
General government	550,102	-	-	550,102
Public safety	378,635	-	-	378,635
Public works	174,247	-	-	174,247
Parks and recreation	100,575	-	-	100,575
Physical environment	256,419	30,086	-	286,505
Capital outlay	120,343	-	-	120,343
Total expenditures	<u>1,580,321</u>	<u>30,086</u>	<u>-</u>	<u>1,610,407</u>
Excess (deficiency) of revenues over expenditures	<u>219,868</u>	<u>16,597</u>	<u>1,193</u>	<u>237,658</u>
Other financing sources (uses)				
Transfers in	1,193	-	-	1,193
Transfers out	-	-	(1,193)	(1,193)
Total other financing sources (uses)	<u>1,193</u>	<u>-</u>	<u>(1,193)</u>	<u>-</u>
Net change in fund balances	221,061	16,597	-	237,658
Fund balances, beginning of year, as restated	333,191	86,304	350,000	769,495
Fund balances, end of year	<u>\$ 554,252</u>	<u>\$ 102,901</u>	<u>\$ 350,000</u>	<u>\$ 1,007,153</u>

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

**CITY OF LAKE HELEN, 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, 2015**

Net change in fund balances - total governmental funds	\$ 237,658
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	120,343
Depreciation expense	(116,454)
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.	
	(26,171)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements:	
Change in delinquent taxes receivable	2,412
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	(43,126)
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. These adjustments are as follows:	
Change in net OPEB obligation	6,152
Change in compensated absences liability	45,548
Change in net position of governmental activities	\$ 226,362

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
REVENUES				
Taxes	\$ 1,070,653	\$ 1,070,653	\$ 1,114,075	\$ 43,422
Licenses and permits	27,423	27,423	54,163	26,740
Intergovernmental	154,589	154,589	181,856	27,267
Charges for services	252,400	252,400	260,885	8,485
Fines and forfeitures	18,150	18,150	17,596	(554)
Impact fees	-	-	2,300	2,300
Interest revenues	1,200	1,200	1,248	48
Miscellaneous	33,150	33,150	168,066	134,916
Total revenues	<u>1,557,565</u>	<u>1,557,565</u>	<u>1,800,189</u>	<u>242,624</u>
Expenditures				
Current:				
General Government:				
Legislative	31,409	31,409	31,353	56
Executive	98,584	98,584	93,106	5,478
Administration	75,608	75,608	65,581	10,027
Legal	35,000	35,000	63,008	(28,008)
Grants & special projects	245,745	245,745	297,054	(51,309)
Public Safety:				
Police	455,629	455,629	378,635	76,994
Public works	162,028	162,028	174,247	(12,219)
Parks and recreation	139,522	139,522	100,575	38,947
Physical environment	252,000	252,000	256,419	(4,419)
Capital outlay	65,485	65,485	120,343	(54,858)
Total expenditures	<u>1,561,010</u>	<u>1,561,010</u>	<u>1,580,321</u>	<u>(19,311)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,445)</u>	<u>(3,445)</u>	<u>219,868</u>	<u>223,313</u>
Other financing sources (uses)				
Transfers in	9,860	9,860	1,193	(8,667)
Total other financing sources (uses)	<u>9,860</u>	<u>9,860</u>	<u>1,193</u>	<u>(8,667)</u>
Net change in fund balances	<u>6,415</u>	<u>6,415</u>	<u>221,061</u>	<u>214,646</u>
Fund balances, beginning of year, as restated	333,191	333,191	333,191	-
Fund balances, end of year	<u>\$ 339,606</u>	<u>\$ 339,606</u>	<u>\$ 554,252</u>	<u>\$ 214,646</u>

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STORMWATER MANAGEMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 200	\$ 200	\$ 100	\$ (100)
Charges for services	45,000	45,000	46,583	1,583
Total revenues	<u>45,200</u>	<u>45,200</u>	<u>46,683</u>	<u>1,483</u>
Expenditures				
Current:				
Physical environment	125,200	125,200	30,086	95,114
Total expenditures	<u>125,200</u>	<u>125,200</u>	<u>30,086</u>	<u>95,114</u>
Excess (deficiency) of revenues over expenditures	<u>(80,000)</u>	<u>(80,000)</u>	<u>16,597</u>	<u>96,597</u>
Fund balances, beginning of year	86,304	86,304	86,304	-
Fund balances, end of year	<u>\$ 6,304</u>	<u>\$ 6,304</u>	<u>\$ 102,901</u>	<u>\$ 96,597</u>

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

**CITY OF LAKE HELEN, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015**

	<u>Water Utility</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 143,697
Restricted cash	10,640
Investments	40,000
Accounts receivable, net	209,212
Total current assets	<u>403,549</u>
Noncurrent assets:	
Restricted cash	206,204
Capital assets:	
Buildings and improvements	2,999,149
Equipment	148,775
Accumulated depreciation	(1,150,285)
Total noncurrent assets	<u>2,203,843</u>
Total assets	<u><u>\$ 2,607,392</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u><u>\$ 11,838</u></u>
LIABILITIES	
Current liabilities:	
Deposits	\$ 41,291
Due to other funds	7,523
Compensated absences	3,688
Payable from restricted assets:	
Current maturities on long-term debt	105,954
Accrued interest payable	10,640
Total current liabilities	<u>169,096</u>
Noncurrent liabilities:	
Notes payable	819,672
Net OPEB obligation	47,353
Compensated absences	11,062
Net pension liability	61,294
Total noncurrent liabilities	<u>939,381</u>
Total liabilities	<u><u>\$ 1,108,477</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u><u>\$ 27,446</u></u>
NET POSITION	
Net investment in capital assets	\$ 1,072,013
Restricted for:	
Debt service	96,967
Utility expansion	109,237
Unrestricted	205,090
Total net position	<u><u>\$ 1,483,307</u></u>

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Water Utility
Operating revenues	
Charges for services	\$ 567,218
Total operating revenues	567,218
Operating expenses	
Personal services	203,270
Contractual services	46,604
Repairs and maintenance	20,733
Supplies	57,858
Utilities	25,261
Depreciation	74,450
Total operating expenses	428,176
Operating income (loss)	139,042
Nonoperating revenues (expenses)	
Interest and amortization expense	(30,750)
Income (loss) before capital contributions and transfers	108,292
Capital contributions	1,000
Change in net position	109,292
Net position , beginning of year, as restated	1,374,015
Net position , end of year	\$ 1,483,307

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

**CITY OF LAKE HELEN, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Water Utility
Cash flows from operating activities	
Cash received from customers	\$ 476,184
Cash paid to employees	(187,212)
Cash paid to suppliers	(150,456)
Net cash provided by operating activities	138,516
Cash flows from noncapital financing activities	
Interfund loans	75,502
Net cash provided by noncapital financing activities	75,502
Cash flows from capital and related financing activities	
Impact fees and capital contributions	1,000
Acquisition and construction of capital assets	(25,979)
Principal payments of long-term debt	(102,433)
Interest paid	(33,501)
Net cash used in capital and related financing activities	(160,913)
Net increase (decrease) in cash and cash equivalents	53,105
Cash and cash equivalents, beginning of year	307,436
Cash and cash equivalents, end of year	\$ 360,541
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ 139,042
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:	
Depreciation	74,450
Changes in assets and liabilities:	
Accounts receivable	(84,454)
Deposits	(6,580)
Compensated absences	(7,595)
Net pension liability	6,815
Net OPEB obligation	16,838
Net cash provided by (used in) operating activities	\$ 138,516
Cash and cash equivalents classified as:	
Unrestricted	\$ 143,697
Restricted	216,844
Total cash and cash equivalents	\$ 360,541

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

**CITY OF LAKE HELEN, FLORIDA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 SEPTEMBER 30, 2015**

	<u>Municipal Police Officers' Retirement Trust Fund</u>
ASSETS	
Cash and cash equivalents with trustee	\$ 8,851
Investments, at fair value Mutual and pooled funds	1,097,572
Total assets	<u>\$ 1,106,423</u>
LIABILITIES	
Prepaid employer contributions	<u>\$ 11,601</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 1,094,822</u>

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

CITY OF LAKE HELEN, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Municipal Police Officers' Retirement Trust Fund</u>
Additions	
Contributions:	
Employer	\$ 267
Plan members	1,624
State - insurance premium taxes	17,928
Total contributions	<u>19,819</u>
Investment earnings:	
Net appreciation (depreciation) in fair value of investments	(350)
Total additions	<u>19,469</u>
Deductions	
Benefit payments	10,022
Administrative expenses	7,315
Total deductions	<u>17,337</u>
Change in net position	<u>2,132</u>
Net position held in trust for pension benefits, beginning of year	<u>1,092,690</u>
Net position held in trust for pension benefits, end of year	<u><u>\$ 1,094,822</u></u>

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

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

The financial statements of the City of Lake Helen, Florida (the City), have been prepared in accordance 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. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City is a municipal corporation created by the Laws of Florida, located in Volusia County. The City was originally incorporated under the general Laws of Florida in October, 1888, and adopted its first charter in April 1945, under the provisions of Senate Bill No. 627 and the Municipal Home Rule Power Act, F.S. Chapter 166. The legislative branch of the City is composed of an elected five-member City Commission consisting of the Mayor and four commissioners. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Commission-appointed City Administrator.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the City Commission of the City, the reporting entity of government for which the City Commission is considered to be financially accountable. In evaluating the City as a reporting entity, management has addressed all potential component units that may or may not fall within the City's oversight and control, and thus, be included in the City's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds in either the governmental or business-type categories.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The City's fiduciary fund is presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

As a general rule the effect of interfund City activities has been eliminated from the government-wide financial statements.

(c) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

(d) **Financial statement presentation**—The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The **General Fund** 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.

The **Stormwater Management Special Revenue Fund** is a special revenue fund which accounts for the financial resources related to the development and maintenance of the City's stormwater management system.

The **General Trust Permanent Fund** is a permanent fund which accounts for the financial resources related to the investment of proceeds from the sale of the City's electric distribution system in 1981.

The City reports the following major proprietary fund:

The **Water Utility Fund** accounts for the financial activities of the City's potable water utility system, including the pumping, treatment, and distribution systems.

Additionally, the City reports the following fiduciary fund:

The **Municipal Police Officers' Retirement Trust Fund** accounts for the financial activities of the Police Officers' Retirement Trust Fund, which accumulates financial resources to pay pension benefits to qualified police officers.

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

- i. On or before July 15th, the City Administrator 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 published in a local newspaper.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

- iv. Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- v. The City Commission, by ordinance, 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. Budgetary control is exercised at the fund level.
- vii. 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 and stormwater management funds have legally adopted budgets. The water utility fund has a legally adopted annual budget.

(f) **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.

(g) **Deposits and investments**—The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

(h) **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 either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-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 year-end to recognize the sales revenues earned through the end of the fiscal year. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City.

Capital assets are defined by the City as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Infrastructure assets must exceed \$5,000 or more before the assets are capitalized. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings and improvements	15 – 40 years
Utility plants	25 – 50 years
Infrastructure	15 – 50 years
Equipment	2 – 25 years

(j) **Compensated absences**—City policy permits employees to accumulate a limited amount of earned, but unused annual and personal leave, up to maximums of 240 and 360 hours, respectively. These benefits are payable at 100% and 25%, respectively, to employees upon separation from service. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in accordance with the GASB Codification.

(k) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs are expensed when paid.

(l) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (9).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the two items in this category are unavailable revenues, which will be recognized as inflows of resources in the period that the amounts become available, and deferred inflows of resources related to pensions, as discussed further in Note (9).

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

(m) **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 – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property held for sale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the City Commission or the City Administrator.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the City’s policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(n) **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.

(o) **Implementation of new accounting standards**—At September 30, 2015 and for the year then ended, the City has implemented Governmental Accounting Standards Board (GASB) *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB No. 27*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment to GASB No. 68*. See Note (9) for the effects of GASB 68 and 71 on pension disclosures.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

(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) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2015, the millage rate assessed by the City was 6.3685 per \$1,000.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties.

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, 1% in the month of February, and without discount in March.

The City recognizes property tax revenues on an accrual basis. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. The City tax calendar is as follows:

Valuation Date:	January 1, 2014
Preliminary Tax Roll Date:	July 1, 2014
Commission Tax Rate Hearings:	September 2014
Levy Date:	November 1, 2014
Due Date:	March 31, 2015
Lien Date:	June 1, 2015

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(4) Deposits and Investments:

The City, for accounting and investment purposes, maintains a pooled noninterest-bearing banking account for substantially all City funds. Additional accounts are held for various other purposes, or to segregate cash balances for amounts which are restricted or held on behalf of others.

State statutes authorize the City to invest excess funds in time deposits, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

As of September 30, 2015, all City deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, and/or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

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 City is authorized to deposit funds only in Qualified Public Depositories.

The City is a member of Florida PRIME, the Local Government Surplus Funds Trust Fund Investment Pool (the Pool), that is administered by the State Board of Administration of Florida (SBA). This pool is a “2a-7 like” pool, which has the characteristics of a money market fund. Therefore, the fair value of investments held at the State Board of Administration Pool is the same as the fair value of the pooled shares. The Regulatory Oversight of the Local Government Surplus Funds Trust fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules for the State Board of Administration. These rules provide guidance and establish the general procedure for the administration of the Local Government Surplus Funds Trust Fund. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedure consistent with the requirements for a 2a-7 fund. As of September 30, 2015, the investment pool had a weighted average of 29 days to maturity and was rated AAAM by Standard & Poor’s.

City Investment Portfolio

As of September 30, 2015, the City’s governmental and business-type investment portfolio is composed of the following investments:

<u>Investment Type</u>	<u>Credit Quality Rating (S&P)</u>	<u>Fair Value</u>	<u>Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1-5</u>	<u>Over 5</u>
Cash and cash equivalents	NR	\$ 645,344	\$ 645,344	\$ -	\$ -
SBA funds	AAAM	758,740	758,740	-	-
Total Portfolio		<u>\$ 1,404,084</u>	<u>\$ 1,404,084</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

Interest Rate Risk: The City limits its exposure to fair value losses arising from increases in interest rates by limiting the investment of its operating funds in investments with maturities of less than one year. Substantially all of the City's surplus funds are invested in the Local Government Surplus Trust Fund. Investments held in the City's Police pension trust fund are generally held to maturity to provide a stable investment interest rate platform which is vital to the projection of actuarial pension costs in the future. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The City's bank deposits are held in noninterest-bearing accounts.

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's portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

Concentration of Credit Risk: In addition to describing the credit risk of investments in the portfolio, governmental entities will need to disclose the concentration of credit risk with a single issuer, if 5 or more percent of the total assets of the portfolio are invested with one issuer. The City's policy limits certain type of investments to no more than 5% of the total portfolio. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from the concentration of credit risk disclosure requirements.

Custodial Credit Risk: All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2015, the City's investment of \$758,740 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

Municipal Police Officers' Retirement Trust Fund Investment Portfolio

The Municipal Police Officers' Retirement Trust Fund has adopted an investment policy which authorizes the pension manager to invest in equities, fixed income investments, money market funds, and pooled funds.

The following chart shows the Municipal Police Officers' Retirement Trust Fund cash and investment accounts by investment portfolios and their respective maturities (in years):

	<u>Fair Value</u>	<u>Maturities (in years) Less Than 1</u>	<u>Credit Rating Range (S&P)</u>
Mutual Funds	\$ 1,097,572	\$ 1,097,572	NR
Cash	8,851	8,851	NR
Total Portfolio	<u>\$ 1,106,423</u>	<u>\$ 1,106,423</u>	

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 established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2015, all investments were held in cash or other assets that could be liquidated at any time.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(4) **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 Pension Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2015.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Police Pension trust fund policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company. At September 30, 2015, the investment portfolios met these 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. At September 30, 2015, the investment portfolio had no foreign investments.

(5) **Accounts Receivable:**

The City's receivables consist of the following at September 30, 2015:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 39,320	\$ -	\$ 39,320
Taxes receivable	15,935	-	15,935
Totals – Governmental Type Activities	<u>55,255</u>	<u>-</u>	<u>55,255</u>
Business-Type Activities			
Water Utility Fund			
Accounts receivable	211,804	(2,592)	209,212
Totals – Business-Type Activities	<u>211,804</u>	<u>(2,592)</u>	<u>209,212</u>
Totals	<u>\$ 267,059</u>	<u>\$ (2,592)</u>	<u>\$ 264,467</u>

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 483,170	\$ -	\$ -	\$ 483,170
Construction in progress	16,116	104,510	(16,116)	104,510
Total capital assets, not being depreciated	<u>499,286</u>	<u>104,510</u>	<u>(16,116)</u>	<u>587,680</u>
Capital assets, being depreciated –				
Buildings and improvements	3,472,621	4,700	-	3,477,321
Equipment	643,644	11,133	(122,509)	532,268
Total capital assets, being depreciated	<u>4,116,265</u>	<u>15,833</u>	<u>(122,509)</u>	<u>4,009,589</u>
Less: accumulated depreciation	<u>(1,410,757)</u>	<u>(116,454)</u>	<u>112,454</u>	<u>(1,414,757)</u>
Total capital assets, being depreciated, net	<u>2,705,508</u>	<u>(100,621)</u>	<u>(10,055)</u>	<u>2,594,832</u>
Governmental activities capital assets, net	<u>\$ 3,204,794</u>	<u>\$ 3,889</u>	<u>\$ (26,171)</u>	<u>\$ 3,182,512</u>
Business-type activities:				
Capital assets, being depreciated –				
Buildings and improvements	\$ 2,999,149	\$ -	\$ -	\$ 2,999,149
Equipment	364,375	25,979	(241,579)	148,775
Total capital assets, being depreciated	<u>3,363,524</u>	<u>25,979</u>	<u>(241,579)</u>	<u>3,147,924</u>
Less: accumulated depreciation	<u>(1,317,414)</u>	<u>(74,450)</u>	<u>241,579</u>	<u>(1,150,285)</u>
Business-type activities capital assets, net	<u>\$ 2,046,110</u>	<u>\$ (48,471)</u>	<u>\$ -</u>	<u>\$ 1,997,639</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 28,593
Public safety	17,565
Physical environment	20,970
Transportation	33,613
Culture and recreation	15,713
Total depreciation expense - governmental activities	<u>\$ 116,454</u>
Business-type activities:	
Water Utility	\$ 74,450
Total depreciation expense - business-type activities	<u>\$ 74,450</u>

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

For the fiscal year ended September 30, 2015, a summary of the long-term liability transactions for the City is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 95,952	\$ 52,692	\$ (98,240)	\$ 50,404	\$ 12,601
Business-type activities:					
State revolving fund loans	\$ 1,028,059	\$ -	\$ (102,433)	\$ 925,626	\$ 105,954
Compensated absences	22,345	16,293	(23,888)	14,750	3,688
Business-type activities – Total long-term liabilities	<u>\$ 1,050,404</u>	<u>\$ 16,293</u>	<u>\$ (126,321)</u>	<u>\$ 940,376</u>	<u>\$ 109,642</u>

Annual debt service requirements to maturity for the City's state revolving fund loans are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 105,954	\$ 29,981	\$ 135,935
2017	109,596	26,340	135,936
2018	113,363	22,571	135,934
2019	117,262	18,673	135,935
2020	121,296	14,640	135,936
2021-2025	300,495	23,541	324,036
2026-2029	57,661	3,199	60,860
Total	<u>\$ 925,626</u>	<u>\$ 138,945</u>	<u>\$ 1,064,572</u>

Notes payable in the City's business-type activities at September 30, 2015, are comprised of the following obligations:

State Revolving Fund note payable, dated June 14, 2000, due in semiannual payments of \$59,273, including interest at 3.05% to 3.57% through April 15, 2022. Repayment of loan balance is secured by a pledge of Water Utility revenues.	\$ 730,468
State Revolving Fund note payable, dated June 5, 2008, due in semiannual payments of \$8,694, including interest at 2.57% to 2.77% through March 15, 2029. Repayment of loan balance is secured by a pledge of Water Utility revenues.	195,158
Total long-term debt, business-type activities	<u>\$ 925,626</u>

The state revolving fund notes payable are secured by pledged water utility revenues. The City was in compliance with all applicable debt covenants as of and for the year ended September 30, 2015.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(8) Interfund Loans, Advances, Fees and Transfers:

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2015, are comprised of the following:

	Due From Other Funds	Due to Other Funds
Governmental Activities:		
General Fund:		
Water Utility Fund	\$ 7,523	\$ -
	7,523	-
Business-Type Activities:		
Water Utility Fund:		
General Fund	-	7,523
	-	7,523
Total – All Funds	\$ 7,523	\$ 7,523

There were no interfund transfers during the year ended September 30, 2015.

(9) Employees’ Retirement Plans and Other-Postemployment Benefits:

A. Deferred Compensation Plan

The City offers employees’ participation in an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contributions, which is administered by Nationwide Retirement Solutions, P.O. Box 182797, Columbus, OH, 43218-2797. Annual contributions are limited to the amount allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 plan. The City may also contribute to the plan for participants; these contributions vest at the time such contributions are made to the plan. For the year ended September 30, 2015, employee contributions to the 457 plan were \$20,863. There were no employers contributions for the year ended September 30, 2015.

B. Florida Retirement System

Plan Description and Administration

The City participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City’s full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

In addition, all regular employees of the City are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Participate in the Investment Plan in lieu of the FRS defined-benefit plan. Florida Board of Bar Examiners employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000

Contributions

The City participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2015, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Employee Contribution Rate	Employer Contribution Rate
Regular Class	3.00%	7.26%
Senior Management	3.00%	21.43%
Special Risk	3.00%	22.04%
Regular Class Not Eligible for FRS	0.00%	4.31%

Current-year employer HIS contributions were made at a rate of 1.26% of covered payroll through June 30, and 1.66% of covered payroll thereafter.

Actual contributions made for City employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	2015	2014	2013
City Contributions – FRS	47,227	52,288	45,604
City Contributions – HIS	6,402	7,311	*
Employee Contributions – FRS	15,145	18,279	18,124

*HIS contributions included in total FRS contributions for 2013.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$325,548 for its proportionate share of the net pension liability, \$214,725 related to FRS and \$169,020 to HIS. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2015 and June 30, 2014, the City's FRS proportion was 0.001662429% and 0.002001152%, respectively. At June 30, 2015 and June 30, 2014, the City's HIS proportion was 0.001657310 and 0.002217546%, respectively. For the year ended September 30, 2015, the City's recognized pension expense of \$6,479 from FRS and \$5,597 from HIS, for a grand total of \$12,076.

Deferred outflows/inflows related to pensions:

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,669	\$ (5,093)	\$ -	\$ -
Changes of assumptions	14,252	-	13,297	-
Net different between projected and actual investment earnings	-	(51,273)	91	-
Change in City's proportionate share	-	(46,538)	-	(42,867)
	<u>\$ 36,921</u>	<u>\$ (102,904)</u>	<u>\$ 13,388</u>	<u>\$ (42,867)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other 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:

2016	\$ (30,538)
2017	(30,538)
2018	(30,538)
2019	11,746
2020	(8,663)
Thereafter	(6,931)

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(9) Employees' Retirement Plans and Other-Postemployment Benefits: (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 4.29%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.2%
Fixed income	18.0%	4.8%
Global equities	53.0%	8.5%
Real estate	10.0%	6.8%
Private equity	6.0%	11.9%
Strategic investments	12.0%	6.7%
Total	<u>100.0%</u>	

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

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

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.65%	\$ 556,401	\$ 214,725	\$ (69,606)
HIS	3.80%	192,590	169,020	149,365

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

C. Municipal Police Officers' Retirement Trust Fund

Plan Description and Administration

The City contributes to the Florida Municipal Pension Trust Fund Defined Benefit Plan and Trust (the Plan), a single-employer defined benefit pension plan which is administered by Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, FL 32302-1757. Under Resolution No. 95-5, the City established this Plan for all full-time sworn police officers hired on or after January 1, 1996, by temporarily revoking its prior participation in the Florida Retirement System pursuant to Chapter 95-338, Laws of Florida with respect to such employees. No stand-alone financial report is issued for the Plan.

Benefits Provided and Employees Covered

The Plan provides retirement, disability and death benefits to plan participants and beneficiaries. No cost of living adjustments are provided to retirees and beneficiaries. The Plan's Board of Trustees has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of every other year. Current membership in the Plan was composed of the following at October 1, 2014:

Inactive participants	2
Active participants	<u>4</u>
Total current membership	<u><u>6</u></u>

Employees vest with 100% full benefits after 6 years of service. Employees are eligible for normal retirement after attaining age 55 with 6 years of credited service, or 25 years of credited service, regardless of age. Employees are eligible for early retirement after at any age with 10 years of credited service. Benefits at normal retirement are equal to 3.00% of average earnings (average of the highest five years of pensionable wages out of the last 10 years) time years of service. Early retirement benefits are reduced by 3% for each year by which the early retirement date precedes the normal retirement date.

Financial Statements

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Separate financial statements have not been prepared for the Plan.

Contributions

The participant contribution rates for the Plan are established by and may be amended by the City Commission. Employees covered under the plan are required to make contributions of 1% of their compensation. The City's annual required contribution for the current year was determined as part of the October 1, 2014 actuarial valuations. The City is required under the Florida Protection of Public Employee Retirement Benefits Act to contribute a payment which represents annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods as prescribed by law. The City's contributions (and if applicable, any liquidations of a net pension obligation) to the Plan are funded by the General Fund.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

The State of Florida also makes contributions to the Plan in accordance with Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for the plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

Contributions to the Plan for the year ended September 30, 2015, were as follows:

Employee contributions	\$	1,624
City contributions		267
State contributions		<u>17,928</u>
Total contributions	\$	<u><u>19,819</u></u>

Investment Policy

See Note (4) for additional discussion of the investment policies for the Plan.

Net Pension Liability (Asset)

The components of the net pension liability (asset) of the Plan at September 30, 2015, were as follows:

Total pension liability	\$	788,075
Plan fiduciary net position*		<u>(946,125)</u>
Net pension liability (asset)	\$	<u><u>(158,050)</u></u>
 Plan fiduciary net position as percentage of total pension liability		 120.06%

*Plan fiduciary net position used by the actuary compared to accrual basis can be reconciled as follows:

Plan fiduciary net position, per financial statements	\$	1,094,822
Less: excess state money		(160,298)
Add back: prepaid employer contributions		<u>11,601</u>
Plan fiduciary net position, per actuary	\$	<u><u>946,125</u></u>

The total pension liability (asset) was determined by an actuarial valuation as of October 1, 2014, with a measurement date of September 30, 2015, using the following actuarial assumptions to all measurement periods.

Inflation		2.92%
Salary increases		4.00%
Investment rate of return		7.00%

Mortality rates for the Plan were based on the RP-2000 Mortality Table, projected to 2015 by Scale AA.

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

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

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, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Core Bonds	16.0%	0.58%
Multi-sector	24.0%	1.08%
Large Cap Equity	39.0%	6.08%
Small Cap Equity	11.0%	6.83%
Foreign Equity	10.0%	6.83%
Total	<u>100.0%</u>	

Discount rate:

The discount rate used to measure the total pension liability for the pension plan was 7.00%. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that 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.

Changes in net pension liability:

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

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a - b)</u>
Beginning Balance	\$ 724,263	\$ 947,505	\$ (223,242)
Changes for year:			
Service cost	23,991	-	23,991
Interest	51,961	-	51,961
Differences between expected/actual experience	(2,118)	-	(2,118)
Contributions – employer/state	-	14,745	(14,745)
Contributions – employee	-	1,562	(1,562)
Net investment income	-	350	(350)
Benefit payments, including refunds	(10,022)	(10,022)	-
Administrative expenses	-	(7,315)	(7,315)
New changes	<u>63,812</u>	<u>(1,380)</u>	<u>(65,192)</u>
Ending Balance	<u>\$ 788,075</u>	<u>\$ 946,125</u>	<u>\$ (158,050)</u>

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

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

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

<u>City's Net Pension Liability (Asset)</u>	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Municipal Police Officers' Retirement Trust Fund	(45,556)	(158,050)	(252,229)

Money-weighted rate of return:

For the year ended September 30, 2015, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense was as follows:

Annual money-weighted rate of return -(0.03)%

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

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

For the year ended September 30, 2015, the City recognized pension expense of \$28,494 in the Plan.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (1,869)
Changes of assumptions	-	-
Net different between projected and actual investment earnings	53,312	-
	<u>\$ 53,312</u>	<u>\$ (1,869)</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:

2016	\$ 13,079
2017	13,079
2018	13,079
2019	13,079
2020	(249)
Thereafter	(624)

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(9) **Employees' Retirement Plans and Other-Postemployment Benefits:** (Continued)

D. Other Post-Employment Benefits (OPEB)

The City of Lake Helen, Florida Post-Employment Benefits 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.

The City's OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB activity for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan based on the most recent actuarial valuation dated October 1, 2014:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual Required Contribution	\$ 23,628	\$ 51,915	\$ 56,000
Interest on Net OPEB Obligation	8,995	7,360	-
Adjustment to Annual Required Contribution	(10,739)	(8,319)	-
Annual OPEB Cost	21,884	50,956	56,000
City Contributions Made	(11,198)	(10,070)	(7,000)
Increase (Decrease) in Net OPEB Obligation	10,686	40,886	49,000
Net OPEB Obligation (beginning of year)	224,886	184,000	135,000
Net OPEB Obligation (end of year)	<u>\$ 235,572</u>	<u>\$ 224,886</u>	<u>\$ 184,000</u>

Three-year trend information is summarized as follows:

<u>Plan Fiscal Year Ended September 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2015	\$ 21,884	51.2%	\$ 235,572
2014	50,956	19.8%	224,886
2013	56,000	14.0%	184,000

The funded status of the plan as of October 1, 2014, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 147,045
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 147,045</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (Active plan members)	\$ 655,117
UAAL as a percentage of covered payroll	22.45%

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(9) Employees' Retirement Plans and Other-Postemployment Benefits: (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The calculations are based on the type of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of cost between the City and the plan member at that point. The actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial Valuation Date	October 1, 2014
Actuarial Cost Method	Aggregate
Amortization Method	Level dollar, closed
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Investment Rate of Return with Inflation	4.00%
Health Care Inflation	7.5% in 2015, trending to 4.5% in 2018

It should be noted that the percent of Annual Pension Cost contributed is based upon actuarial calculations regarding the City's and State's contribution. The City's contribution is dependent upon the estimated state contributions that are not known and received at the end of the fiscal year. The City has typically used the general fund to liquidate net pension obligations.

Additional trend information related to the retirement plan is presented in the required supplementary information, as listed in the table of contents. The information is presented to enable the reader to assess the progress made by the City retirement plans in accumulating sufficient assets to pay retirement benefits as they become due.

No actuarial accrued liability has been calculated for the Plan as the Plan utilizes the aggregate actuarial cost method.

(10) 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; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

(11) Commitments and Contingencies:

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is involved in various legal proceedings incidental to the conduct of its affairs. It is the City's policy to accrue for amounts related to these legal matters if it is possible that a liability has been incurred and an amount is reasonably estimable. At September 30, 2015, no amounts have been accrued.

**CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

(12) **Subsequent Events:**

Included in property held for sale in the general fund totaling \$83,496 at September 30, 2015, is a single piece of property which was donated to the City by a financial institution during the year and subsequently held by the City for resale. The City closed on the sale of this property in February 2016 and received net proceeds equal to the amount recorded as property held for sale.

In July 2015, the City Commission voted to opt out of the Volusia County Unified Fire District (the Fire District), and approved an interlocal agreement with the County of Volusia (the County) for fire and emergency services. The agreement commenced on October 1, 2015, and expires on September 30, 2016. Annual fees to be paid by the City to the County totaled \$200,000.

(13) **Restatements of Fund Balance and Net Position:**

In June 2012, the Government Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 changes the treatment of defined benefit pension plan accounting by employers whereby the City is now required to record the net pension liability and related deferred outflows of resources and deferred inflows of resources for each of the City's three defined benefit pension plans on its financial statements.

The requirements of GASB 68 are effective for fiscal year 2015 and have been implemented as of and for the year ended September 30, 2015. The implementation of GASB 68 resulted in effectively recording of the net pension liability and deferred outflows of resources at September 30, 2014, and in the reduction of beginning unrestricted net position in the proprietary fund and government-wide statements of net position by the same amount.

Also, it was determined during the year ended September 30, 2015, that certain general fund intergovernmental revenues were not fully recognized in the prior year, resulting in understated fund balance and revenues in the general fund as of and for the year ended September 30, 2014. Beginning fund balance in the general fund and governmental activities net position has been restated for these effects.

The cumulative effect on beginning net position in the affected reporting units related to these adjustments is as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Water Utility Fund</u>	<u>Business-type Activities</u>
Net position/fund balance, 9/30/2014	\$ 3,649,694	\$ 290,795	\$ 1,444,101	\$ 1,444,101
Less: Net pension liability, 9/30/2014	(93,328)	-	(67,175)	(67,175)
Add: Deferred outflows for contributions, 9/30/2014	9,484	-	2,013	2,013
Add: net pension obligation, 9/30/2014	5,399	-	-	-
Add: revenues not accrued at 9/30/2014	42,396	42,396	-	-
Restated net position/fund balance, 9/30/2014	<u>\$ 3,618,569</u>	<u>\$ 333,191</u>	<u>\$ 1,374,015</u>	<u>\$ 1,374,015</u>

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(14) **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 City’s financial statements:

- (a) GASB issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015, which addresses accounting and financial reporting issues related to fair value measurements, specifically that the definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investment and disclosures related to all fair value measurements. The provisions in GASB 72 are effective for fiscal years beginning after June 15, 2015.
- (b) GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in June 2015, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. GASB 73 is intended to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016.
- (c) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.
- (d) GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in June 2015, which supersedes GASB Statement No. 55. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions in GASB 76 are effective for periods beginning after June 15, 2015.
- (e) GASB issued Statement No. 77, *Tax Abatement Disclosures*, in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The provisions in GASB 77 are effective for periods beginning after December 15, 2015.
- (f) GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, in December 2015. GASB 78 addresses practice issues regarding the scope and applicability of GASB 68. The provisions in GASB 78 are effective for periods beginning after December 15, 2015.

CITY OF LAKE HELEN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(14) **Recent Accounting Pronouncements:** (Continued)

- (g) GASB issued Statement No. 79, *Certain External Investment Pools*, in December 2015. GASB 79 addressing accounting and financial reporting for certain external investment pools and pool participants by establishing criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions in GASB 79 are effective for periods beginning after December 15, 2015.
- (h) GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, in January 2016. GASB 80 clarifies the financial statement presentation requirements for certain component units and amends the blending requirements for the financial statement presentation of component units. The provisions in GASB 80 are effective for periods beginning after June 15, 2016.

**CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OPEB
SEPTEMBER 30, 2015**

Other Post Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)--Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2014	\$-	\$147,045	\$147,045	0.00%	\$655,117	22.45%
10/1/2013	-	232,112	232,112	0.00%	878,128	26.43%
10/1/2012	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2011	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2010	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2009	-	237,000	237,000	0.00%	727,000	32.60%

**CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
SEPTEMBER 30, 2015**

Other Post-Employment Benefit Plan				
Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contribution	
2015	\$ 23,628	\$ 11,198	47.39	
2014	51,915	10,070	19.40	
2013	56,000	7,000	12.50	
2012	56,000	7,000	12.50	
2011	54,000	7,000	12.96	
2010	47,000	6,000	12.77	

CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2015

	For the year ended September 30,	<u>2015</u>
Total Pension Liability		
Service cost	\$	23,991
Interest		51,961
Differences between expected/actual experience		(2,118)
Benefit payments		<u>(10,022)</u>
Net change in total pension liability		63,812
Total pension liability – beginning		<u>724,263</u>
Total pension liability – ending (a)	\$	<u><u>788,075</u></u>
Total Fiduciary Net Position*		
Contributions – employer/state	\$	14,745
Contributions – employee		1,562
Net investment income		350
Benefit payments		(10,022)
Administrative expense		<u>(7,315)</u>
Net change in plan fiduciary net position		(1,380)
Plan fiduciary net position – beginning		<u>947,505</u>
Plan fiduciary net position – ending (b)	\$	<u><u>946,125</u></u>
Net pension liability (asset) – ending (a) - (b)	\$	<u><u>(158,050)</u></u>
Plan fiduciary net position as a percentage of the total pension liability		120.06%
Covered employee payroll	\$	119,534
Net pension liability (asset) as a percentage of covered employee payroll		(132.22%)

*This represents fiduciary net position as calculated by the actuary for valuation purposes. See Note (9) to the financial statements for reconciliation to GAAP-basis amounts.

**CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2015**

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Contributions in Relation to ADC</u>	<u>Contribution Excess (Deficiency)</u>	<u>Covered Payroll</u>	<u>Contributions as Percentage of Employee Payroll</u>
2015	\$ 7,203	\$ 14,745	\$ 7,542	\$ 119,534	12.34%
2014	24,900	6,873	(18,027)	157,302	4.37%
2013	23,542	22,356	(1,186)	160,017	13.97%
2012	38,115	45,814	7,699	*	*
2011	37,117	52,690	15,573	150,291	35.06%
2010	52,945	54,737	1,792	142,978	38.28%
2009	48,297	48,359	62	193,463	25.00%
2008	65,914	73,350	7,436	*	*
2007	61,865	35,069	(26,796)	204,913	17.11%
2006	28,242	32,266	4,024	*	*

**Information not available for selected years*

Notes to Schedule:

Valuation Date: 10/01/2014

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

Methods and assumptions used to determine contribution rates:

Funding Method:	Current: Aggregate Method (Level Dollar)
Amortization Method	Level Dollar
Remaining Amortization Period:	30 years
Asset Valuation Method:	Market value
Inflation:	2.92% per year.
Salary Increases:	4.0% per year.
Interest Rate:	7.0% per year, compounded annually, net of investment-related expenses.
Payroll Growth:	None.
Retirement Age:	Assumed retirement at normal retirement age.
Termination Rates:	None assumed.
Disability Rates	None assumed.
Mortality:	Sex-distinct rates, RP-2000 Mortality Table, projected to 2015 using Scale AA

**CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2015**

<u>For the Year Ended September 30</u>	<u>Annual Money- Weighted Rate of Return</u>
2015	-0.03%
2014	8.60%

CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – FRS/HIS
SEPTEMBER 30, 2015

	<u>2015</u>	<u>2014</u>
Florida Retirement System (FRS)		
Proportion of the net pension liability (NPL)	0.001662429%	0.002001152%
Proportionate share of the NPL	\$ 214,725	\$ 122,100
Covered-employee payroll	508,097	609,282
Proportionate share of the NPL as percentage of covered-employee payroll	42.26%	20.04%
Plan fiduciary net position as a percentage of the NPL	92.00%	96.09%
Health Insurance Subsidy Program (HIS)		
Proportion of the net pension liability (NPL)	0.001657310%	0.002175855%
Proportionate share of the NPL	\$ 169,020	\$ 203,448
Covered-employee payroll	508,097	609,282
Proportionate share of the NPL as percentage of covered-employee payroll	33.27%	33.39 %
Plan fiduciary net position as a percentage of the NPL	0.50%	0.99%

**CITY OF LAKE HELEN, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS – FRS/HIS
SEPTEMBER 30, 2015**

	<u>2015</u>	<u>2014</u>
Florida Retirement System (FRS)		
Contractually required contribution	\$ 47,227	\$ 52,288
Contributions in relation to contractually required contribution	<u>47,227</u>	<u>52,288</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 508,097	\$ 609,282
Contributions as percentage of covered-employee payroll	9.29%	8.58%
Health Insurance Subsidy Program (HIS)		
Contractually required contribution	\$ 6,402	\$ 7,311
Contributions in relation to contractually required contribution	<u>6,402</u>	<u>7,311</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 508,097	\$ 609,282
Contributions as percentage of covered-employee payroll	1.26%	1.20%

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

To the Honorable Mayor, City Commission, and City Administrator,
City of Lake Helen, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Helen, Florida, (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 3, 2016.

Internal Control over Financial Reporting

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

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, as outlined below, that we consider to be significant deficiencies:

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2015-001 – Cutoff of Revenues

During our testing of revenues, we noted the City did not properly accrue sales and other tax distributions in the fiscal year 2014, resulting in an understatement of revenues and fund balance in the prior year. As a result, a significant audit adjustment of approximately \$43,000 to beginning fund balance was required in order to properly state the current year financial statements. We recommend all revenue activity be reviewed for proper cutoff to ensure all amounts are recorded in the proper accounting period.

2015-002 – Recording of Non-Cash Transactions

During our audit, we noted an external bank donated a piece of property and cash to the City. While the cash receipt was properly recorded as contribution revenue, no entry was made to record the contributed land held for sale. As such, a journal entry in the amount of approximately \$83,000 was required to record the property based upon its subsequent sales price in February 2016 and the related contribution revenue. We recommend all non-cash transactions be reviewed for completeness and donated assets be recorded at fair market value.

2015-003 – Journal Entries Segregation of Duties

We noted the Finance Manager to be responsible for all aspects of journal entries, including the preparation, approval, and posting of journal entries. While this is not uncommon for an entity of the City's size, this presents a greater risk due to the lack of segregation of duties. We recommend the City consider opportunities to achieve a greater level of segregation of duties over the journal entry process, potentially by further involving a second individual, such as the Finance Assistant, in the process.

2015-004 – Water Utility Revenue Procedures

During our audit, we noted various areas at different stages of the revenue cycle in the water utility fund with control deficiencies and/or room for improvement to help enhance the overall efficiency and effectiveness of the City's water utility revenue cycle.

Water Utility Account Adjustments

As part of our testing of water utility accounts, we noted there is no formal review and approval process for adjustments to balances owed from customers. This could result in erroneous and/or improper adjustments being posted to customer accounts. In order to help mitigate this risk, we recommend a formal review and approval process be implemented whereby duties are segregated (i.e. approval of adjustment and actual recording of adjustment) or a formal review process is implemented to ensure that someone other than the preparer is looking at all customer account adjustments.

Water Utility Meter Readings

We noted the review process over meter readings involves both the Finance Assistant and the Finance Manager, but no formal documentation is maintained related to any changes or corrections to meter readings used for billings versus initial amounts per the meter reading. We recommend this process be enhanced to document the nature of any adjustments to the readings used for billing purposes from the original meter readings.

Water Utility Rate Tables – Segregation of Duties

We noted the Finance Manager is responsible for both the entering and review of changes to the water utility system billing rate tables. We recommend these functions be segregated whereby only one individual has access to modify the rate tables, and for all changes to be reviewed by a second, independent person.

Water Utility Receivable Liens

We noted the City does not actively place liens on owner utility accounts for which payment has not been received. While there is an associated cost in placing liens, it could potentially enhance collection efforts. We recommend management perform a cost-benefit analysis to determine whether incorporating a process to lien properties for unpaid utility accounts would be an effective measure for the City to take.

Quarterly Billing

We noted the City bills customers on a quarterly basis. While this does help minimize the direct cost of billing activities, we recommend the City consider the benefits of switching to a monthly billing cycle. This should particularly be considered in conjunction with other areas impacting the City's collection efforts (deposit refunds, liens on unpaid accounts, etc.) in an effort to minimize the City's potential exposure to losses from unpaid utility accounts.

2015-005 – General Trust Fund

We noted the City utilizes Fund 600 as a “General Trust Fund” which has no activity other than to hold a \$350,000 cash/investment balance. Upon inquiry of management, we noted no formal records to be available explaining the purpose of the fund, why it was broken out from the general fund, and whether there are any restrictions on the fund balance, with the only reference being in the prior year financial statements which outlined these monies as the net remaining proceeds from an electric utility sale in 1981. Upon our inquiry of the Supervisor of Elections, we were provided with information that this sale was approved in resolution 81-3. We recommend the City continue to research this manner to ensure all amounts are being reported appropriately. In the event these monies are unrestricted and not required to be held in a separate fund, we recommend the City consider moving this fund into the general fund. We also recommend the City ensure current document retention procedures are adequately designed to maintain and safeguard all significant documents to help prevent such instances of missing documents from occurring in the future.

Compliance and Other Matters

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

2015-006 – General Fund Budgetary Compliance

During our audit, we noted the expenditures in the General Fund exceeded the budgeted amounts as approved by the City Commission, resulting in the City not being within legal budgetary compliance. While various capital transactions which had not been budgeted for were approved by the City Commission, no respective budget amendments were made to adjust for the additional budgetary authority. Internal tracking of budget versus actual was primarily focused on the excess of revenues over expenditures, and the over-budget expenditures were not separately identified as such. To avoid such instances in the future, we recommend the City actively monitor budget-to-actual comparisons of expenditures throughout the year and ensure that any necessary budget amendments are brought to the City Commission on a timely basis. We also recommend the City ensure its legal level of budget compliance (i.e. fund level) be documented in the City Charter, investment policy, or other formal document. In addition, we noted the City budgeted for certain transfers that were ultimately not made and recommend future budgeted transfers be amended as necessary such that all actual transfers are equal to the final budget.

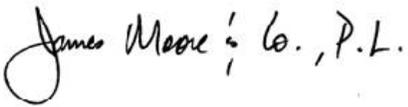
We noted certain matters that we reported to the City Commission and management of the City in a separate letter dated June 3, 2016.

City of Lake Helen, Florida's Response to Findings

The City's responses to the findings identified in our audit are described starting on page **Error! Bookmark not defined.** The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Daytona Beach, Florida
June 3, 2016

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

To the Honorable Mayor, City Commission, and City Administrator,
City of Lake Helen, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Lake Helen, Florida (the City), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 3, 2016.

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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Examination Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 3, 2016, 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. One comment remains unresolved from the third preceding year. The following is a summary of findings and recommendations reported in the preceding annual financial audit report:

ML 2008-02 Uniform Accounting Policies and Procedures Manual – Corrective action taken.

2010-SD02 Purchase Orders and Procurements – Corrective action taken.

2010-COM02 Impact Fee Funds – Corrective action taken.

ML 2013-01 Information Technology Matters – Corrective action partially taken. See Comment 2015-006 for outstanding matters.

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2014-COM01 Annual Police Pension Report Preparation – Corrective action taken.

2014-COM02 FDEP State Revolving Fund Loan Rate Covenant – Corrective action taken.

2014-COM03 FDEP State Revolving Fund Loan Covenant Certification – Corrective action taken.

ML 2014-1 Financial Condition Assessment Findings – Corrective action taken.

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report 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 identification of 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.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

2015-007– IT Policies and Procedures (Third-Year Repeat Comment)

While the City has formally adopted policies and procedures related to accounting and financial reporting and has taken significant action to correct the prior year comment, we noted the City does not yet have a formal set of policies and procedures related to information technology. We recommend the City continue working on developing policies and procedure related to information technology in order to finalize a document which includes the designation of responsibilities for the management and maintenance of the City's information systems, including policies for updates, patches, anti-virus software, backup procedures, etc.

2015-008 – User Rights and Accounting System

In obtaining an understanding of the City's controls over information technology and its accounting system, we identified the following recommendations for improvement:

User Access Rights

We recommend that the access rights of users of the accounting software be limited to correlate with each individual's responsibilities. During our audit, we noted that the Finance Manager and Finance Assistant had unlimited rights and access to the system, which include the ability to create new users and change system access levels of existing users. To establish stronger controls, we recommend that full access be given to only one key user with others having limited access only to areas in which they would need to perform their job responsibilities.

Accounting System

We noted the City uses the QuickBooks accounting software as a part of obtaining an understanding of internal controls. While this software is very user-friendly and a well-established program, the complexity of the City's operations exceeds the capability of certain functions within QuickBooks. We recommend the City perform a cost-benefit analysis to assess the associated costs of implementing a more robust accounting system which can better integrate all of the City's operations, including proper monitoring of budget versus actual amounts.

2015-009 – Payment in Lieu of Taxes

During our audit, we noted the City allocates various indirect expenses between the general and water utility funds. In some cases these are to split payroll or other ongoing costs. We noted many local governments also charge the water utility fund an amount for payment in lieu of taxes (to keep the general fund in the same position they would be if the water utility was instead owned by a private enterprise) which is then accounted for as a transfer between funds. We recommend the City consider adopting this additional practice, and also for the City to explore opportunities to charge other standard fees in the general fund, such as public service taxes on water utility service.

2015-010 – Capital Asset Inventory

We noted the City has performed various capital asset inventories and cleanup of the asset detail used for accounting purposes in recent years, recording disposals of various fully depreciated assets which the City has not owned for a period of time. However, we noted this analysis did not include real property and our testing identified one instance of an unusual balance, with the City not having any land recorded in the Water Utility Fund. As part of the overall capital asset inventory process, we recommend the City perform an analysis of land/building assets by comparing fixed asset records to the Property Appraiser's records to ensure all real property assets are properly recorded and, where applicable, segregated between depreciable (i.e. building) and non-depreciable (i.e. land) assets.

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

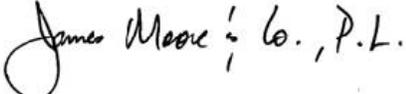
City of Lake Helen, Florida's Response to Findings

The City's responses to the findings identified in our audit are described starting on page 67. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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

Daytona Beach, Florida
June 3, 2016



James Moore, Co., P.L.

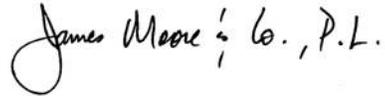
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Commission, and City Administrator,
City of Lake Helen, Florida

We have examined the City of Lake Helen, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City of Lake Helen, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.



Daytona Beach, Florida
June 3, 2016

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Member of AGN International with offices in principal cities worldwide



June 3, 2016

RESPONSE TO AUDITOR FINDINGS

2015-001 – Cutoff of Revenues

Finance Manager now has an annual recurring calendar reminder to accrue estimated sales and other tax revenues that won't be received until October and November of each year.

2015-002 – Recording of Non-Cash Transactions

Finance Manager has noted the principle that the amount recorded for a property donation must include the cash received plus the fair market value of the property.

2015-003 – Journal Entries Segregation of Duties

The city will be acquiring new accounting software that is expected to facilitate the segregation of duties with respect to journal entries. Most journal entries are associated with cash receipts, and there is good segregation of duties associated with these journal entries, since the administrative assistant documents cash receipts through the utility billing software, in the case of water utility cash receipts, and in a spreadsheet application, in the case of other cash receipts. These two sources are set up to generate required journal entries that are brought directly into the accounting software. The deposit of these cash receipts are made by the accounting assistant, and a copy of the deposit slip as well as the software-generated reports are reconciled and available for audit. The accounting assistant compiles payroll entries from our contracted payroll company, and these entries are copied and pasted into a spreadsheet that generates necessary allocations and journal entries that are entered electronically into the accounting software. The accounting manager checks the work done by the accounting assistant for accuracy, otherwise the entries produced by the accounting assistant are not modified. The accounting assistant reconciles bank accounts, and these reconciliations provide a high level of confidence that the amounts recorded in the accounting system are correct. Other journal entries are recurring in nature; examples include miscellaneous allocations. Journal entries are well documented and readily available for audit.

2015-004 – Water Utility Revenue Procedures

The city will develop procedures to formally document account adjustments for customer bills as well as changes required to correct meter readings—to include a second person to vouch for the adjustments. The implementation of radio-read water meters will diminish substantially the need to correct water meter readings as well as billing errors.

Regarding changing of water rates, our current procedure is to create the new tables, confirm with our software vendor that the equations associated with the rate changes are correct, and re-calculate water charges in a spreadsheet before issuing water bills that reflect the new rates. For future rate adjustments the city will have another employee review and sign off on the documentation that confirms the accuracy of the new rates.

On the subject of water utility receivable liens, the city will evaluate the need and cost effectiveness to implement receivable liens. Accounts receivable currently has a credit balance of \$743.40. When customers fail to timely pay their water bills, the city charges penalties and will ultimately shut off the customers' water service. This has historically been an effective method to ensure that customers pay their bills.

Finally, the recommendation that the city consider monthly billing instead of quarterly billing will become more feasible with the implementation of radio-read water meters, which will reduce considerably the laborious task of manually reading the water meters and manually entering the readings into the water utility software.

2015-005 – General Trust Fund

The city has already made a serious effort to find better documentation regarding the intent and regulatory requirements for this trust fund. It may be necessary to conclude that such documentation is no longer available. Current management recognizes the importance of maintaining good records to ensure they do not go missing in the future. The other course of action with respect to this trust fund is to evaluate whether the funds should remain in the trust—a decision the City Commission must make.

2015-006 – General Fund Budgetary Compliance

This compliance issue arose simply due to a misunderstanding of what constitutes a need for a budget revision. While actual expenditures exceeded budgeted expenditures by approximately \$19,000, the addition to fund balance was approximately \$220,000; and capital projects, the principle reason why actual expenditures exceeded budgeted expenditures, were appropriately approved by the City Commission. Nevertheless, there is now a correct understanding of what constitutes the need for a budget revision, which will preclude a recurrence of this compliance issue.

2015-007– IT Policies and Procedures (Third-Year Repeat Comment)

IT policies and procedures currently exist in draft form. The city has given priority to revisions of the City Charter and the city's comprehensive plan, and the city has virtually replaced all of its IT infrastructure. These efforts have made it necessary to postpone finalization of new IT policies and procedures, with the expectation that they will be completed by the end of the current calendar year.

2015-008 – User Rights and Accounting System

The city is seeking to replace its current accounting system, which will effectively address the issues described in this finding.

2015-009 – Payment in Lieu of Taxes (PILOT)

City management began contemplating the need to implement a PILOT concept as described in this finding. Ultimately this will be a decision that the City Commission will make.

2015-010 – Capital Asset Inventory

The finance manager concurs with this finding and will take necessary action to correct the capital asset inventory.