

CITY OF LAKE HELEN, FLORIDA

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014



MAYOR

Honorable William V. Snowden, Jr.

CITY COMMISSIONERS

Rick Basso
Vernon Burton
Cameron Lane
Ann Robbins

CITY ADMINISTRATOR

K. C. Cichon

CITY CLERK

Becky Witte

INDEPENDENT AUDITORS

BMC CPAs, Inc.

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September 30, 2014
CITY OF LAKE HELEN, FLORIDA

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, and
Members of the City Commission
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 City of Lake Helen, Florida, (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective budgetary comparisons for

the General Fund and Stormwater Management Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note 17 to the financial statements, the City has recognized an adjustment resulting from the understatement of amounts previously reported by the Plan Trustee for unearned sponsor contributions in the Municipal Police Officers' Retirement Trust Fund as of September 30, 2013, which was subsequently computed in an independent actuarial valuation and reported to management subsequent to the end of the current year. Accordingly, an adjustment has been made to recognize an increase in unearned sponsor contributions and a corresponding decrease in net position available for member benefits as of September 30, 2013, to properly reflect the unearned sponsor contributions. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress and employer contributions for the Municipal Police Officers' Retirement Trust Fund and Post-Employment Benefits Plan, 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 May 5, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BMC CPAs

May 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2014. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section, taken as a whole.

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 \$5,093,795 (net position). Of this amount, \$658,214 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$18,749 in fiscal year 2014. Net position of the City's governmental activities (General, Stormwater Management and General Trust funds) decreased by \$12,572 (0.3%), while net position of its business type activities (Water Utility Fund) decreased by \$6,177 (0.4%). While they are decreases, they are significantly lower than the decreases in 2013 of \$209,506, \$243,581, and \$34,075 respectively.
- The City's governmental funds reported combined ending fund balances of \$727,099 at the end of the current fiscal year, a decrease of \$235,441 in comparison to the \$962,540 reported at the end of the prior fiscal year. Approximately \$239,403 of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of the 2014 fiscal year, unassigned fund balance for the General Fund was or \$239,403 or 12.0% (44 days) of the total fiscal year 2014 General Fund expenditures of \$1,994,140. This represents a decrease of \$266,545 in unassigned fund balance from the amount reported at the end of 2013.
- The City's total long-term debt obligations decreased by \$99,031 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 \$23,018 in 2014 and totaled \$118,297 at year end while amounts reported for other postemployment benefit obligation (OPEB) totaled \$224,886.

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 an 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 as 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 pages 27 and 29.

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 34 to 36 of this report.

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are separately reported in the statements of fiduciary net position and changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. Rather, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These statements can be found on pages 37 and 38 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 \$5,093,795 at the end of 2014, compared to \$5,112,544 at the end of 2013. This represents a total decrease of \$18,749 or 0.4% 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, 2014 and 2013						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets.....	\$ 967,059	1,165,449	287,595	350,252	1,254,654	1,515,701
Restricted assets.....	-	-	252,578	239,845	252,578	239,845
Capital assets, net.....	3,204,794	2,970,166	2,046,110	2,105,375	5,250,904	5,075,541
Total assets.....	<u>4,171,853</u>	<u>4,135,615</u>	<u>2,586,283</u>	<u>2,695,472</u>	<u>6,758,136</u>	<u>6,831,087</u>
Liabilities:						
Long-term debt outstanding.....	-	-	1,028,059	1,127,090	1,028,059	1,127,090
Other liabilities.....	522,159	473,349	114,123	118,104	636,282	591,453
Total liabilities.....	<u>522,159</u>	<u>473,349</u>	<u>1,142,182</u>	<u>1,245,194</u>	<u>1,664,341</u>	<u>1,718,543</u>
Net assets:						
Invested in capital assets, net of related debt.....	3,204,794	2,970,166	1,018,051	978,285	4,222,845	3,948,451
Restricted.....	21,421	21,350	191,315	178,017	212,736	199,367
Unrestricted.....	423,479	670,750	234,735	293,976	658,214	964,726
Total net assets.....	<u>\$ 3,649,694</u>	<u>3,662,266</u>	<u>1,444,101</u>	<u>1,450,278</u>	<u>5,093,795</u>	<u>5,112,544</u>

The most significant component of the City's net position (82.9%) 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 (4.2%) represents resources that are subject to external restrictions on how they may be used. Consequently, the remaining 12.9% 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 \$658,214 at year end, compared to \$964,726 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 insight as to the nature and source of those changes. During 2014, total revenues increased \$14,407 to a total of \$2,286,528, compared to \$2,272,121 in the prior year. Approximately 18.8% of the City's revenue came from property taxes, and 23.4% of every dollar raised came from some other type of tax. Another 41.2% came from fees charged for services, while most of the remaining revenue (16.6%) 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 decreased in 2014 by \$104,123, or 16.4%. This decrease represents total expenditures that are more in line with expenditures prior to 2013. The costs of providing and maintaining the City's solid waste disposal system increased in 2014 by \$25,615 or 8.8%, while the related costs of maintaining the combined transportation and stormwater systems increased by \$127,389 or 22.3%. The cost of routine programs and services for culture and recreation decreased by \$187,468, or 36.0%. This decrease was, for the most part, related to the closure of the Creative Arts Café in March 2014. The total costs of providing water services, excluding bad debt expense, for business-type activities increased by \$69,974 or 16.3% in 2014, largely due to improved allocation of personnel costs to more accurately reflect the costs of operating water services.

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

Changes in Net Position
For the Fiscal Years Ended September 30, 2014 and 2013

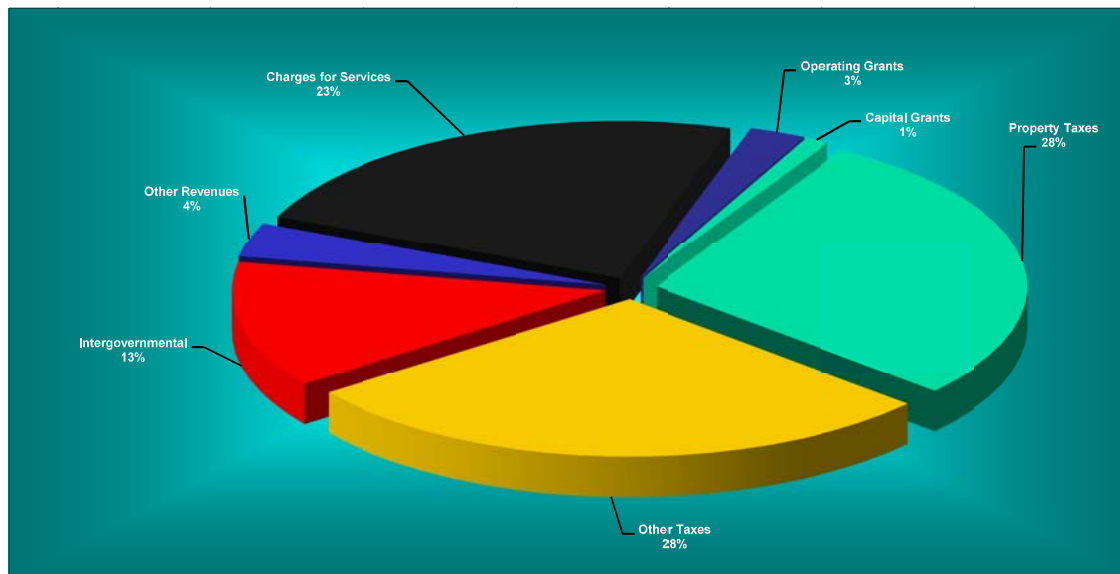
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services.....	\$ 440,778	609,873	501,310	461,808	942,088	1,071,681
Operating grants/other.....	45,615	48,492	-	-	45,615	48,492
Capital grants/other.....	19,926	23,843	2,000	2,000	21,926	25,843
General revenues:						
Property taxes.....	430,528	424,796	-	-	430,528	424,796
Other taxes.....	534,979	553,037	-	-	534,979	553,037
Intergovernmental.....	244,243	94,012	-	-	244,243	94,012
Other revenues.....	67,149	54,260	-	-	67,149	54,260
Total revenues.....	<u>1,783,218</u>	<u>1,808,313</u>	<u>503,310</u>	<u>463,808</u>	<u>2,286,528</u>	<u>2,272,121</u>
Expenses:						
General government.....	531,582	635,705	-	-	531,582	635,705
Public safety.....	424,964	462,711	-	-	424,964	462,711
Physical environment.....	315,191	289,576	-	-	315,191	289,576
Transportation.....	199,946	142,531	-	-	199,946	142,531
Culture/Recreation.....	333,887	521,355	-	-	333,887	521,355
Water and sewer utilities.....	-	-	499,707	429,733	499,707	429,733
Interest on long-term debt.....	-	16	-	-	-	16
Total expenses.....	<u>1,805,570</u>	<u>2,051,894</u>	<u>499,707</u>	<u>429,733</u>	<u>2,305,277</u>	<u>2,481,627</u>
Transfers in (out).....	<u>9,780</u>	-	<u>(9,780)</u>	-	-	-
Increase (decrease) in net assets.....	(12,572)	(243,581)	(6,177)	34,075	(18,749)	(209,506)
Net assets, beginning of year.....	<u>3,662,266</u>	<u>3,905,847</u>	<u>1,450,278</u>	<u>1,416,203</u>	<u>5,112,544</u>	<u>5,322,050</u>
Net assets, end of year.....	<u>\$ 3,649,694</u>	<u>3,662,266</u>	<u>1,444,101</u>	<u>1,450,278</u>	<u>5,093,795</u>	<u>5,112,544</u>

Governmental Activities

Revenues for the City's governmental activities totaled \$1,783,218 in 2014. This represents a decrease of \$25,095 or 1.4% less than last year's reported revenues of \$1,808,313. This year's decrease occurred due to a significant decrease in revenue from services provided and decreased revenue from taxes other than ad valorem taxes.

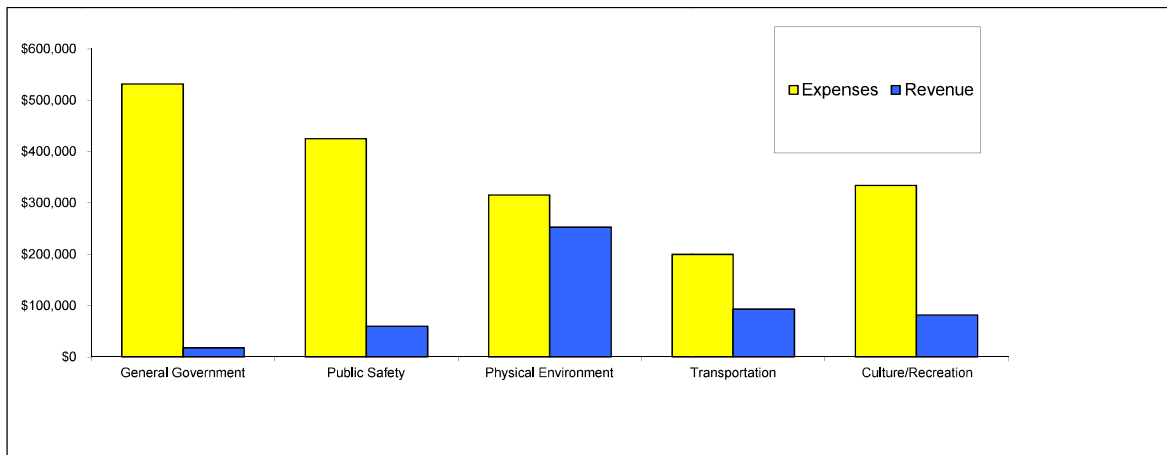
The following is a summary of the City's governmental revenues - by source:

Revenues by Source – Governmental Activities



An individual comparison of the City's functional program revenues and costs of providing program services to its citizens is useful in identifying the programs, and the extent of which each are dependent on taxes and other non-exchange revenues to subsidize their program operations. They are illustrated in the following graph:

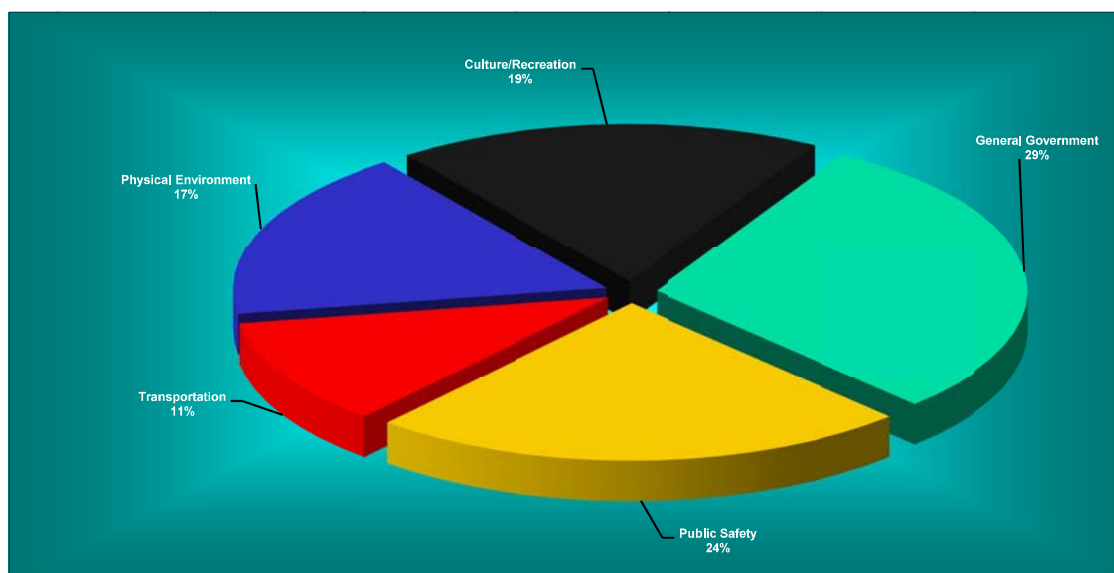
Expenses and Program Revenues - Governmental Activities



Governmental expenses totaled \$1,805,570, which represents a decrease of \$246,324, or 12.0% from the prior year's total of \$2,051,894. This decrease in reported expenditures is attributable primarily to cost cutting and the closure of the Creative Arts Café in March, 2014.

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 increased \$39,502 during the year to a total of \$501,310, or 8.6% more than utility billings of \$461,808 in 2013. This increase occurred due to price increases in part and also an increase in customers. Customer contributions (in the form of impact fees) remained relatively low, and totaled \$2,000 for the year—the same amount received in 2013.

Total operating expenses of the water utility fund experienced an increase of \$69,974 or 16.3% in 2014 and totaled \$499,707, compared to \$429,733 incurred in 2013. The increase was primarily due to increased maintenance expense and increased cost of sales associated with new customers.

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 \$727,099, which was a decrease of \$235,441, or 24.5% compared with the \$962,540 amount reported last year.

The general fund is the chief operating fund of the City. As of September 30, 2014, the unreserved fund balance in the general fund totaled \$239,403. This unreserved fund balance represents approximately 12.0% (44 days /6.3 weeks) of the City's spending requirements experienced during 2014.

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 2014, there was a fund balance of \$86,304, an increase of \$13,851 over the amount reported at the end of 2013.

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 \$234,735 which is a decrease of \$59,241 compared with than last year's reported amount of \$293,976. 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 \$24,502 more than the amounts originally anticipated to be received during the year in the City's General Fund. Actual expenditures incurred were \$7,983 more than originally anticipated. The result was a net difference of unanticipated revenues over unanticipated expenditures of \$16,519. Grant revenues totaling \$146,184 were budgeted and received during the year. Revenues for the café were budgeted at \$80,617, and actual revenues were \$80,617. Actual café expenses were less than budgeted amounts by \$1,951 during 2014. However the café realized a loss of \$96,743, and café operations were terminated in March 2014.

Capital Assets and Debt Administration

Capital Assets. At September 30, 2014, 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, 2014 and 2013						
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land.....	\$ 483,170	479,483	-	-	483,170	479,483
Construction work in progress.....	16,116	16,116	-	-	16,116	16,116
Buildings.....	1,575,056	1,566,581	-	-	1,575,056	1,566,581
Improvements other than buildings.....	1,897,565	1,601,763	2,999,149	2,999,149	4,896,714	4,600,912
Machinery and equipment.....	643,644	606,152	364,375	353,638	1,008,019	959,790
Accumulated depreciation.....	(1,410,757)	(1,299,929)	(1,317,414)	(1,247,412)	(2,728,171)	(2,547,341)
Net total.....	<u>\$ 3,204,794</u>	<u>2,970,166</u>	<u>2,046,110</u>	<u>2,105,375</u>	<u>5,250,904</u>	<u>5,075,541</u>

During 2013, the City invested \$345,456 in governmental capital assets and \$13,402 in business-type capital assets. The significant additions included: acquisition of land (\$3,687), building improvements (\$8,475), infrastructure improvements (\$295,802); and the costs of new police and other equipment (\$37,492) funded from the City's surplus funds. In addition, the City disposed of utility fund assets totaling \$2,665, during the fiscal year.

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 \$1,028,059 at year end, compared to \$1,127,090 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 9 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 2014, 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 2014 and 2013, respectively.
- Property tax revenue in fiscal year 2015 is expected to be 1.05% higher than the property taxes collected in fiscal year 2014. This is due exclusively to the Commission's approval and adoption of the same millage rate (6.3685 mills) for the 2014 tax levy. 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 2015 due to signs of increased building activity.
- The 2014-2015 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 2014 tax levy ad-valorem millage rate of 6.3685 for fiscal year 2014-2015.
- 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.

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BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION
September 30, 2014
CITY OF LAKE HELEN, FLORIDA

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents.....	\$ 242,963	54,859	297,822
Investments.....	716,299	40,000	756,299
Receivables, net.....	52,411	124,757	177,168
Other assets.....	23,365	-	23,365
Internal balances.....	(67,979)	67,979	-
Temporarily restricted assets:			
Cash and cash equivalents.....	-	252,578	252,578
Capital assets:			
Land.....	483,170	-	483,170
Buildings.....	1,575,056	-	1,575,056
Improvements other than buildings.....	1,897,565	2,999,149	4,896,714
Machinery and equipment.....	643,644	364,375	1,008,019
Less: accumulated depreciation.....	(1,410,757)	(1,317,414)	(2,728,171)
Construction work in progress.....	16,116	-	16,116
Total assets.....	<u>4,171,853</u>	<u>2,586,283</u>	<u>6,758,136</u>
Liabilities:			
Accounts payable and accrued liabilities.....	146,046	13,392	159,438
Deposits/unearned revenue.....	80,391	47,871	128,262
Net pension obligation.....	5,399	-	5,399
Long-term debt:			
Due within one year.....	-	102,433	102,433
Due in more than one year.....	-	925,626	925,626
Other postemployment benefit obligation.....	194,371	30,515	224,886
Compensated absences.....	95,952	22,345	118,297
Total liabilities.....	<u>522,159</u>	<u>1,142,182</u>	<u>1,664,341</u>
Net Position:			
Invested in capital assets, net of related debt.....	3,204,794	1,018,051	4,222,845
Restricted for:			
Capital projects.....	19,130	108,237	127,367
Debt service.....	-	83,078	83,078
Law enforcement training.....	2,291	-	2,291
Unrestricted.....	423,479	234,735	658,214
Total net position.....	<u>\$ 3,649,694</u>	<u>1,444,101</u>	<u>5,093,795</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014
CITY OF LAKE HELEN, FLORIDA

Functions / Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government.....	\$ 531,582	17,938	-	-
Public safety.....	424,964	41,150	18,960	-
Physical environment.....	315,191	253,054	-	-
Transportation.....	199,946	46,839	26,655	19,926
Culture/recreation.....	<u>333,887</u>	<u>81,797</u>	<u>-</u>	<u>-</u>
Total governmental activities.....	<u>1,805,570</u>	<u>440,778</u>	<u>45,615</u>	<u>19,926</u>
Business-type Activities:				
Water utilities.....	<u>499,707</u>	<u>501,310</u>	<u>-</u>	<u>2,000</u>
Total primary government.....	<u>\$ 2,305,277</u>	<u>942,088</u>	<u>45,615</u>	<u>21,926</u>

General revenues:	
Property taxes, levied for general purposes.....	
Utility service taxes.....	
Franchise fees.....	
Sales taxes.....	
Intergovernmental revenue.....	
Investment earnings.....	
Miscellaneous.....	
Transfers.....	
Total general revenues.....	
Change in net position.....	
Net position - beginning of year.....	
Net position - end of year.....	

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(513,644)		(513,644)
(364,854)		(364,854)
(62,137)		(62,137)
(106,526)		(106,526)
<u>(252,090)</u>		<u>(252,090)</u>
<u>(1,299,251)</u>		<u>(1,299,251)</u>
	<u>3,603</u>	<u>3,603</u>
<u>(1,299,251)</u>	<u>3,603</u>	<u>(1,295,648)</u>
430,528	-	430,528
250,726	-	250,726
177,263	-	177,263
106,990	-	106,990
244,243	-	244,243
2,452	-	2,452
64,697	-	64,697
<u>9,780</u>	<u>(9,780)</u>	<u>-</u>
<u>1,286,679</u>	<u>(9,780)</u>	<u>1,276,899</u>
(12,572)	(6,177)	(18,749)
<u>3,662,266</u>	<u>1,450,278</u>	<u>5,112,544</u>
<u>\$ 3,649,694</u>	<u>1,444,101</u>	<u>5,093,795</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014
CITY OF LAKE HELEN, FLORIDA

	General	Special Revenue Stormwater Management	Permanent General Trust	Total Governmental Funds
Assets:				
Cash and cash equivalents.....	\$ 147,799	95,164	-	242,963
Investments.....	366,299	-	350,000	716,299
Receivables (net of allowance for uncollectibles).....	49,456	-	-	49,456
Due from other funds.....	(67,979)	-	-	(67,979)
Due from other governments.....	2,955	-	-	2,955
Prepaid expenses.....	23,365	-	-	23,365
Total assets.....	<u>\$ 521,895</u>	<u>95,164</u>	<u>350,000</u>	<u>967,059</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable.....	\$ 76,518	-	-	76,518
Accrued liabilities.....	69,528	-	-	69,528
Due to other funds.....	(8,860)	8,860	-	-
Deposits.....	80,391	-	-	80,391
Unearned revenues.....	13,523	-	-	13,523
Total liabilities.....	<u>231,100</u>	<u>8,860</u>	<u>-</u>	<u>239,960</u>
Fund Balances:				
Nonspendable.....	23,365	-	-	23,365
Restricted:				
General government capital projects.....	7,150	-	-	7,150
Law enforcement capital projects.....	9,980	-	-	9,980
Law enforcement training.....	2,291	-	-	2,291
Recreation capital projects.....	2,000	-	-	2,000
Committed:				
Recreation and park improvements.....	2,926	-	-	2,926
Stormwater improvements.....	-	86,304	-	86,304
General government.....	3,680	-	350,000	353,680
Unassigned.....	239,403	-	-	239,403
Total fund balances.....	<u>290,795</u>	<u>86,304</u>	<u>350,000</u>	<u>727,099</u>
Total liabilities and fund balances.....	<u>\$ 521,895</u>	<u>95,164</u>	<u>350,000</u>	<u>967,059</u>

The accompanying notes are an integral part of the financial statements.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Fund balances - total governmental funds.....	\$ 727,099
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	3,204,794
Other long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.....	13,523
Net pension obligation for Police Officers' Retirement Trust Fund.....	(5,399)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Postemployment benefit obligation.....	(194,371)
Compensated absence liabilities.....	<u>(95,952)</u>
Net position of governmental activities.....	<u>\$ 3,649,694</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014
CITY OF LAKE HELEN, FLORIDA

	General	Special Revenue Stormwater Management	Permanent General Trust	Total Governmental Funds
Revenues:				
Taxes.....	\$ 750,470	-	-	750,470
Permits, fees and assessments.....	215,097	89	-	215,186
Intergovernmental revenue.....	351,233	-	-	351,233
Charges for services.....	335,122	46,200	-	381,322
Fines and forfeitures.....	15,997	-	-	15,997
Miscellaneous revenue.....	66,589	-	560	67,149
Total revenues.....	<u>1,734,508</u>	<u>46,289</u>	<u>560</u>	<u>1,781,357</u>
Expenditures:				
Current:				
General government.....	494,932	-	-	494,932
Public safety.....	431,012	-	-	431,012
Physical environment.....	272,425	32,438	-	304,863
Transportation.....	489,293	-	-	489,293
Culture/recreation.....	306,478	-	-	306,478
Total expenditures.....	<u>1,994,140</u>	<u>32,438</u>	<u>-</u>	<u>2,026,578</u>
Excess of revenues over (under) expenditures.....	(259,632)	13,851	560	(245,221)
Other Financing Sources (Uses):				
Transfers in (out).....	<u>10,340</u>	<u>-</u>	<u>(560)</u>	<u>9,780</u>
Total other financing sources (uses).....	<u>10,340</u>	<u>-</u>	<u>(560)</u>	<u>9,780</u>
Net change in fund balances.....	(249,292)	13,851	-	(235,441)
Fund balances, beginning of year.....	<u>540,087</u>	<u>72,453</u>	<u>350,000</u>	<u>962,540</u>
Fund balances, end of year.....	<u>\$ 290,795</u>	<u>86,304</u>	<u>350,000</u>	<u>727,099</u>

The accompanying notes are an integral part of the financial statements.

**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, 2014
CITY OF LAKE HELEN, FLORIDA

Net change in fund balances - total governmental funds..... \$ (235,441)

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 allocated over their estimated useful lives.

Expenditures for capital assets.....	345,456
Current year provision for depreciation.....	(110,828)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in delinquent taxes receivable.....	1,861
--	-------

Increase in net pension obligation for Police Officers' Retirement Trust Fund.....	(504)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due; rather than as it accrues. These adjustments are as follows:

Change in compensated absences obligation.....	18,974
Change in other postemployment benefit obligation.....	<u>(32,090)</u>

Change in net position of governmental activities.....	<u>\$ (12,572)</u>
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The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND**

For the Fiscal Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
Revenues:				
Taxes:				
Property taxes.....	\$ 500,890	428,667	428,667	-
Local option gas taxes.....	53,500	55,939	46,581	(9,358)
State-casualty insurance premium tax.....	15,650	-	18,960	18,960
Utility service taxes.....	156,000	181,016	181,016	-
Communications service taxes.....	87,000	84,280	69,710	(14,570)
Local business taxes.....	4,000	5,536	5,536	-
	<u>817,040</u>	<u>755,438</u>	<u>750,470</u>	<u>(4,968)</u>
Permits and Fees:				
Building permits.....	10,250	23,603	23,603	-
Franchise fees.....	173,950	176,242	177,263	1,021
Other permits and fees.....	4,870	14,231	14,231	-
	<u>189,070</u>	<u>214,076</u>	<u>215,097</u>	<u>1,021</u>
Intergovernmental Revenues:				
Federal grants.....	100,972	114,343	114,343	-
State grants.....	-	31,841	31,841	-
Municipal revenue sharing program.....	85,000	89,245	89,245	-
Mobile home licenses.....	6,000	5,843	5,843	-
Alcoholic beverage licenses.....	146	783	783	-
Local half-cent sales tax.....	115,000	126,114	106,990	(19,124)
Fuel tax refunds.....	800	1,050	946	(104)
Shared revenues-County business taxes.....	2,000	1,242	1,242	-
	<u>309,918</u>	<u>370,461</u>	<u>351,233</u>	<u>(19,228)</u>
Charges for Services:				
General government.....	200	448	452	4
Public safety.....	400	219	219	-
Garbage/solid waste.....	253,490	253,490	252,854	(636)
Culture and recreation.....	1,400	980	980	-
Creative Arts Café Restaurant.....	80,617	80,617	80,617	-
	<u>336,107</u>	<u>335,754</u>	<u>335,122</u>	<u>(632)</u>
Fines and Forfeitures:				
Court cases.....	19,350	14,245	14,245	-
Local ordinance violations.....	300	1,752	1,752	-
	<u>19,650</u>	<u>15,997</u>	<u>15,997</u>	<u>-</u>
Miscellaneous Revenues:				
Investment earnings.....	1,250	2,452	2,452	-
Rents and royalties.....	5,400	6,965	6,965	-
Miscellaneous revenue.....	41,050	9,423	57,732	48,309
	<u>47,700</u>	<u>18,840</u>	<u>67,149</u>	<u>48,309</u>
Total revenues.....	<u>\$ 1,719,485</u>	<u>1,710,566</u>	<u>1,735,068</u>	<u>24,502</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - (Continued)**

For the Fiscal Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
Expenditures:				
General Government:				
Legislative:				
Personal services.....	\$ 25,938	27,874	27,570	304
Operating expenditures.....	4,300	2,598	2,570	28
	<u>30,238</u>	<u>30,472</u>	<u>30,140</u>	<u>332</u>
Executive:				
Personal services.....	106,448	93,830	92,809	1,021
Operating expenditures.....	2,900	970	959	11
	<u>109,348</u>	<u>94,800</u>	<u>93,768</u>	<u>1,032</u>
Financial and Administrative:				
Personal services.....	40,334	44,745	44,258	487
Operating expenditures.....	29,950	32,678	32,323	355
	<u>70,284</u>	<u>77,423</u>	<u>76,581</u>	<u>842</u>
Legal Counsel:				
Operating expenditures.....	35,000	59,384	58,738	646
Other General Government:				
Personal services.....	141,758	122,253	120,923	1,330
Operating expenditures.....	119,050	109,274	114,782	(5,508)
Capital outlay.....	600	-	-	-
	<u>261,408</u>	<u>231,527</u>	<u>235,705</u>	<u>(4,178)</u>
Total general government.....	<u>506,278</u>	<u>493,606</u>	<u>494,932</u>	<u>(1,326)</u>
Public Safety:				
Law Enforcement:				
Personal services.....	352,347	328,066	347,392	(19,326)
Operating expenditures.....	53,925	48,003	47,479	524
Capital outlay.....	8,500	30,346	30,016	330
	<u>414,772</u>	<u>406,415</u>	<u>424,887</u>	<u>(18,472)</u>
Protective Inspections:				
Operating expenditures.....	11,000	6,193	6,125	68
Total public safety.....	<u>425,772</u>	<u>412,608</u>	<u>431,012</u>	<u>(18,404)</u>
Physical Environment:				
Garbage/Solid Waste Control Services:				
Operating expenditures.....	253,750	275,422	272,425	2,997
Total physical environment	<u>253,750</u>	<u>275,422</u>	<u>272,425</u>	<u>2,997</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - (Continued)**

For the Fiscal Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
Transportation:				
Road and Street Facilities:				
Personal services.....	\$ 72,392	68,043	67,303	740
Operating expenditures.....	62,100	119,006	117,713	1,293
Capital outlay.....	291,845	307,624	304,277	3,347
Total transportation.....	426,337	494,673	489,293	5,380
Culture/Recreation:				
Parks and Recreation:				
Personal services.....	29,118	30,077	29,750	327
Operating expenditures.....	63,050	89,175	88,205	970
Capital outlay.....	16,000	11,285	11,163	122
	108,168	130,537	129,118	1,419
Creative Arts Café Restaurant:				
Personal services.....	117,778	117,778	125,049	(7,271)
Operating expenditures.....	61,533	61,533	52,311	9,222
Capital outlay.....	-	-	-	-
	179,311	179,311	177,360	1,951
Total culture/recreation.....	287,479	309,848	306,478	3,370
Total expenditures.....	1,899,616	1,986,157	1,994,140	(7,983)
Excess of revenues over (under) expenditures.....	(180,131)	(275,591)	(259,072)	16,519
Other Financing Sources (Uses):				
Transfers in (out).....	-	-	9,780	9,780
Appropriated fund balance.....	180,131	275,591	-	(275,591)
Total other financing sources (uses).....	180,131	275,591	9,780	(265,811)
Net change in fund balance.....	-	-	(249,292)	(249,292)
Fund Balance:				
Beginning of year.....	540,087	540,087	540,087	-
End of year.....	\$ 540,087	540,087	290,795	(249,292)

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORMWATER MANAGEMENT FUND**

For the Fiscal Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
Revenues:				
Permits and Fees:				
Stormwater permits.....	\$ 250	89	89	-
Charges for Services:				
Stormwater management.....	45,000	46,200	46,200	-
Total revenues.....	45,250	46,289	46,289	-
Expenditures:				
Transportation:				
Stormwater Management:				
Personal services.....	25,374	24,612	25,034	(422)
Operating expenditures.....	10,100	7,461	7,404	57
Capital outlay.....	24,776	-	-	-
Total transportation.....	60,250	32,073	32,438	(365)
Total expenditures.....	60,250	32,073	32,438	(365)
Excess of revenues over (under) expenditures.....	(15,000)	14,216	13,851	(365)
Other Financing Sources (Uses):				
Budget contingency.....	15,000	(14,216)	-	14,216
Net change in fund balance.....	-	-	13,851	13,851
Fund Balance:				
Beginning of year, as restated.....	72,453	72,453	72,453	-
End of year.....	\$ 72,453	72,453	86,304	13,851

The accompanying notes are an integral part of the financial statements.

STATEMENT OF FUND NET POSITION
WATER UTILITY PROPRIETARY FUND

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Assets:	
Current Assets:	
Cash and cash equivalents.....	\$ 54,859
Investments.....	40,000
Accounts receivable (net).....	124,757
Due from other funds.....	67,979
Restricted cash and cash equivalents:	
Revenue note debt service funds.....	49,401
Revenue note reserve fund.....	47,069
Customer deposits.....	47,871
Impact fees.....	<u>108,237</u>
Total current assets.....	<u>540,173</u>
Capital assets:	
Improvements other than buildings.....	2,999,149
Machinery and equipment.....	364,375
Less: accumulated depreciation.....	<u>(1,317,414)</u>
Total capital assets (net of accumulated depreciation).....	<u>2,046,110</u>
Total assets.....	<u>2,586,283</u>
Liabilities:	
Current Liabilities:	
Accounts payable and accrued liabilities.....	13,392
Customer deposits.....	47,871
Notes payable - current maturities.....	<u>102,433</u>
Total current liabilities.....	163,696
Noncurrent Liabilities:	
Compensated absences.....	22,345
Other postemployment benefit obligation.....	30,515
Notes payable-net of current maturities.....	<u>925,626</u>
Total noncurrent liabilities.....	<u>978,486</u>
Total liabilities.....	<u>1,142,182</u>
Net Position:	
Invested in capital assets, net of related debt.....	1,018,051
Restricted for debt service.....	83,078
Restricted for utility expansion.....	108,237
Unrestricted.....	<u>234,735</u>
Total net position.....	<u>\$ 1,444,101</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER UTILITY PROPRIETARY FUND

For the Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Operating Revenues:		
Charges for services.....	\$ 501,310	
Total operating revenues.....		501,310
Operating Expenses:		
Personal services.....	225,309	
Depreciation	72,667	
Materials and supplies.....	49,026	
Contractual services.....	50,096	
Utilities.....	27,657	
Maintenance and repairs.....	16,072	
Other charges.....	<u>23,391</u>	
Total operating expenses.....		<u>464,218</u>
Operating income.....		37,092
Nonoperating revenue (expense):		
Transfers out.....	(9,780)	
Interest and debt expense.....	<u>(35,489)</u>	
Net nonoperating revenue (expense).....		<u>(45,269)</u>
Income before contributions.....		(8,177)
Capital contributions.....		<u>2,000</u>
Net decrease in net position.....		(6,177)
Net position, beginning of year.....		<u>1,450,278</u>
Net position, end of year.....		<u>\$ 1,444,101</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
WATER UTILITY PROPRIETARY FUND

For the Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Cash Flows From Operating Activities:

Cash received from customers.....	\$	521,365
Cash paid to suppliers.....		(170,307)
Cash paid for personal services.....		<u>(224,659)</u>

Net cash provided by operating activities..... 126,399

Cash Flows From Capital and Related Financing Activities:

Increase in investments.....	(40,000)
Advances and transfers to other funds.....	(165,593)
Acquisition of capital assets.....	(13,402)
Payments of long-term debt principal.....	(99,031)
Interest payments.....	(36,962)
Capital contributions.....	<u>2,000</u>

Net cash used in capital and related financing activities..... (352,988)

Net decrease in cash and cash equivalents..... (226,589)

Cash and cash equivalents, beginning of year..... 534,026

Cash and cash equivalents, end of year..... \$ 307,437

Reconciliation of cash and cash equivalents:

Unrestricted.....	\$	54,859
Restricted.....		<u>252,578</u>
Total - all sources.....		<u><u>\$ 307,437</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$	37,092
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization.....		72,667
Increase in postemployment benefit obligation.....		8,796
Changes in assets and liabilities:		
Accounts receivable (net).....		19,148
Accounts payable.....		(4,065)
Accrued liabilities.....		(4,102)
Compensated absences.....		(4,044)
Customer deposits.....		907

Net cash provided by operating activities..... \$ 126,399

The accompanying notes are an integral part of the financial statements.

STATEMENT OF FIDUCIARY NET POSITION
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
September 30, 2014
CITY OF LAKE HELEN, FLORIDA

Assets:

Cash and cash equivalents..... \$ 6,580

Accounts receivable:

Member contributions receivable..... 57

Investments:

Mutual Funds..... 1,090,111

Total assets..... \$ 1,096,748

Liabilities:

Prepaid contributions..... 4,058

Total liabilities..... 4,058

Net Position:

Held in trust for pension benefits..... \$ 1,092,690

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

For the Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Additions:

Contributions from:

Employees.....	\$	1,573
Employer (City).....		18,028
State-Casualty Insurance Premium Taxes.....		<u>18,960</u>

Total contributions.....		38,561
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Investment income:

Net investment earnings, including appreciation (depreciation)
in fair value of investments.....

85,465

Total additions.....		124,026
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Deductions:

Administrative expenses.....		<u>3,615</u>
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Total deductions.....		<u>3,615</u>
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Net increase.....		120,411
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Net Position Held in Trust for Pension Benefits:

Beginning of year-as previously reported.....	994,365
Prior period adjustment for for prepaid contributions.....	<u>(22,086)</u>

Beginning of year-as restated.....	<u>972,279</u>
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End of year.....	<u>\$ 1,092,690</u>
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The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Lake Helen, Florida (the “City”), have been prepared in conformance with accounting principles generally accepted in the United States of America, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. 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 Senate Bill No. 627 and the Municipal Home Rule Power Act, F.S. Ch. 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 Administrator.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds controlled by or dependent on the City. In evaluating the City as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the City’s financial statements. No component units exist which would require inclusion in the City’s financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements, comprised of the Statement of Net Position and the Statement of Activities, report aggregated information for the overall government for all of the activities of the primary government. These statements do not report business-type activities, fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements, when required. The effect of interfund activity has been removed from these statements.

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

The Statement of Net Position presents the government’s overall financial position at year-end. The Statement of Activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net position for the period. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other nonexchange revenues not properly included among program revenues are reported instead as general revenues.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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, unless accrued for grant reimbursements of costs previously funded by the City. 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 claims and judgments, 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.

Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized and grouped into four classes, based on their principal characteristics. The accounting treatment for each type of transaction is as follows:

Derived Tax Revenues, defined as assessments imposed on exchange transactions. Examples include: sales taxes, franchise tax, utility taxes, etc. Assets from derived tax revenue are recognized in the period when the exchange transaction on which the tax is imposed or when resources are received, whichever occurs first. Revenues are recognized, net of estimated uncollectible amounts, in the same period that the assets are recognized. Resources received in advance are recorded as deferred revenue until the period of the exchange.

Imposed Nonexchange Revenues, result from assessments on nongovernmental entities, other than assessments on exchange transactions. Examples include: ad valorem (property) taxes, fines and penalties, and property forfeitures. Assets from imposed nonexchange revenues are recognized in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Property taxes are recognized in the period for which the taxes are levied. All other imposed nonexchange revenues are recognized in the same period that the assets are recognized.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Government-mandated Nonexchange Transactions, frequently establish eligibility requirements before a transaction can occur. Examples include federal awards and state financial assistance. Until the requirements are met, the recipient does not have a receivable and recognition of revenue received in advance is deferred. The providers (usually federal, state, and county governments) often offer resources on a reimbursement (“expenditure-driven”) basis at the time the recipient has incurred allowable costs under the applicable program.

Voluntary Nonexchange Transactions, result from legislative or contractual agreements other than exchanges, entered into willingly by two or more parties. Examples include certain grants, entitlements, and donations by nongovernmental entities. Principal characteristics of these types of transactions are (1) they are not imposed on the provider or recipient, and (2) fulfillment of eligibility requirements is essential for a transaction to occur. Assets and revenues are recognized when all applicable eligibility requirements, including time requirements, are met. Resources received in advance are reported as deferred revenue.

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

The City reports the following major governmental funds:

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

General Trust (Permanent) Fund - The General Trust Fund is a permanent fund used to account for the financial resources related to the investment of proceeds from the sale of the City’s electric distribution system in 1981. All interest earnings from this fund are transferred to the General Fund for disposition.

Stormwater Management (Special Revenue) Fund - This is a special revenue fund to provide for the financial resources related to the development and maintenance of the City’s stormwater management system. This fund is separately captioned in the accompanying government-wide financial statements since it is the only non-major fund of the City.

The City reports the following major proprietary fund:

Water Utility Fund – The Water Utility Fund is used to account for the financial activities of the City’s potable water utility system, including the pumping, treatment and distribution systems.

The City reports the following fiduciary fund type:

Municipal Police Officers’ Retirement Trust (Fiduciary) Fund – This is a fiduciary trust fund established to account for the financial activities of the Police Officers’ Retirement Trust Fund, which accumulates financial resources to pay pension benefits to qualified police officers.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

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

The City reports as program revenues: 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, except those that are statutorily restricted for special functional cost elements.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, Liabilities, and Net Assets or Equity

1. 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.

The City's investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits. All of the City's investments are stated at cost, or amortized cost, and are the same as the fair value of pool shares.

2. 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 and amounts due from other governments are reported net of allowance for uncollectible accounts which is based upon management's analysis of historical trends.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

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 sales revenue earned between the last meter reading date made in mid-September 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.

3. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

4. *Restricted Assets*

Certain proceeds from the imposition of the City's impact fee requirements, building permits, and revenue note obligations, as well as certain resources set aside for their repayment, are classified as restricted assets in the government-wide financial statements because their use is limited by applicable legal indentures imposed by other governmental agencies. The restricted assets are used to report resources set aside 1) to provide a reserve for future debt service, 2) to provide a reserve for maintenance and replacement costs, and 3) to acquire qualifying capital assets.

5. *Capital Assets*

Capital assets include property, plant, equipment, and infrastructure assets, and are reported in the applicable governmental or business-type activities in the government-wide financial statements. 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. In accordance with the implementation efforts of GASB Statement No. 34, the City is exempt from reporting all general infrastructure assets and related depreciation expense on these assets, for those assets acquired prior to the year of implementation of the pronouncement in the entity-wide statement of net position and statement of activities. All known infrastructure assets acquired in current and prior years are reported in the financial statements.

Capital assets are defined by the City as assets with initial, individual costs that equal or exceed \$1,000 and have estimated useful lives of over one year. For all infrastructure assets, costs must exceed \$5,000 or more before the assets are capitalized. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Contributed assets 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction period interest is capitalized net of interest earned on unexpended construction funds and, therefore, depreciated over the remaining useful life of the related asset, when applicable.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

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

Buildings	15 - 40 years
Source of supply plant	25 - 50 years
Pumping plant and water treatment plant	25 - 50 years
Transmission and distribution plant	25 - 50 years
Infrastructure	15 - 50 years
Equipment.....	2 - 25 years

The City has historically recorded all easements and rights of way that are determined to have limited useful lives at estimated fair market value on the date received. The City has elected to not retroactively report intangible assets that are determined to have indefinite useful lives. The City does not have any intangible assets previously subjected to amortization that have now been determined to have indefinite useful lives.

6. *Accrued Payroll and Compensated Absences*

The portion of employees' payroll costs paid subsequent to year end attributable to services performed prior to year end is recorded and recognized as a current liability.

The City's personnel policy permits employees to accumulate earned but unused personal leave benefits, which are eligible for partial payment upon separation from City service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences included salary related benefits, where applicable.

The amount of paid time off available to employees increases each year with the length of employment as follows:

	<u>Annual Leave</u>	<u>Personal Leave</u>
0 to 5 years service	10 days	12 days
6 to 10 years service	15 days	12 days
Over 11 years service	20 days	12 days

City employees may accumulate annual leave and personal leave up to a maximum of 240 and 360 hours, respectively. All employees will receive 100% and 25% of accumulated annual leave benefits and personal leave benefits, respectively, upon retirement or death.

7. *Unearned Revenue*

Unearned revenues are reported when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

8. *Deferred outflows/inflows of resources*

In addition to assets, when applicable, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, when applicable, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has no items that qualify for reporting in this category.

9. *Net position flow assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

10. *Fund balance flow assumptions*

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. *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 – This 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 acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation (i.e. when the government to 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). When applicable, the City classifies forfeitures as being restricted because their use is restricted by State Statute for police investigative expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Unexpended inspection fees and impact fees are restricted by State Statutes and are legally segregated for funding of public safety inspection program activities and approved capital expenditures.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. The City Commission is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Administrator through the budgetary process, as is authorized under the City's Code of Ordinances.

Unassigned – This classification includes the residual fund balance for the General Fund and 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.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

12. 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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

E. New Accounting Standards

GASB Statement 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62* (GASB 66) was implemented during the fiscal year ended September 30, 2014. GASB 66 was issued to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of GASB 54 and GASB 62. The implementation of GASB 66 did not have a material impact on the City's financial statements.

GASB Statement 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* (GASB 68) was issued to establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The requirements of GASB 68 are effective for fiscal year 2015. The City is currently evaluating the impact that GASB 68 may have on its financial statements.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of Statement 69 is to provide specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposal of government operations. The provisions of Statement 69 are effective for fiscal years beginning after December 15, 2013, which is the City's fiscal year 2015. The implementation of this statement is not expected to have any material future impact on the City's net position.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of Statement 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of Statement 70 are effective for fiscal years beginning after June 15, 2013, which is the City's fiscal year 2015. The implementation of this statement is not expected to have a material effect on the City's financial statements.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68 and are effective for fiscal years beginning after June 15, 2014, which is the City's fiscal year 2015. The impact to the City's financial reporting has not been determined.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

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

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

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 Balance and the Government-Wide Statement of Activities

Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is 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.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

An annual budget was adopted for the City's governmental funds. The basis on which the budgets were prepared is consistent with generally accepted accounting principles. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- On or before July 15th, the City Administrator submits a preliminary budget to the City Commission for the ensuing fiscal year.
- Budget workshop sessions are scheduled by the City Commission, as needed.
- A general summary of the budget and notice of public hearing is published in a local newspaper.
- Prior to October 1st, the budget is legally enacted through passage of an ordinance.
- The City Commission, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Sections 54 to 57 of the City Charter. Prior to the end of the fiscal year, supplemental appropriations are made for unanticipated spending requirements by the Commission.
- The City Commission must approve all inter-departmental budget amendments and/or appropriations transfers. Budgetary control is exercised at the fund level.
- 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 special revenue funds have legally adopted budgets.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

The water fund has a legally adopted annual budget. Presentation of budget/actual comparisons have not been presented in these financial statements as this disclosure would be misleading and is not required by generally accepted accounting principles.

B. Excess of Expenditures over Appropriations

During the year ended September 30, 2014, expenditures exceeded budgetary appropriations in the General Fund (major) – actual expenditures (\$1,994,140) exceeded budgetary appropriations (\$1,986,157) by \$7,983. This amount was funded in its entirety from prior year surplus governmental revenue in the General Fund.

During the year ended September 30, 2014, expenditures exceeded budgetary appropriations in the Stormwater Management Fund (major) – actual expenditures (\$32,438) exceeded budgetary appropriations (\$32,073) by \$365. This amount was funded in its entirety from prior year surplus governmental revenue in the Stormwater Management Fund.

NOTE 4 - PROPERTY TAX CALENDAR

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City (2013 tax levy) was 6.3685 mills for ad valorem taxes collected by the City during the year ended September 30, 2014. The property tax calendar is as follows:

Valuation Date	January 1
Property Appraiser prepares the assessment roll with values as of January 1, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1
City Commission holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September
Property Appraiser certified the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).	November 1
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November through March, with the following applicable discounts:	November 1

<u>Month Paid</u>	<u>Discount</u>
November	4%
December	3%
January	2%
February	1%
March	None

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

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CITY OF LAKE HELEN, FLORIDA

All unpaid taxes on real and tangible personal property become delinquent.	April 1
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April/May
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).	June 1
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes	August

NOTE 5 - CASH DEPOSITS AND INVESTMENTS

Deposits. At September 30, 2014, the carrying value of the City's cash deposit accounts was \$549,700 and the bank balance totaled \$557,809. The cash deposits are held by banks that qualify as public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes and are fully collateralized. The above reported amounts do not include \$700 in cash funds on hand at the end of the fiscal year.

Investments. As of September 30, 2014, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (Years)		
		Less Than 1	From 1 - 5	From 6 - 10
Local Government Investment Pool: State Board of Administration, Local Government Surplus Trust Fund Investment Pool Florida PRIME.....	\$ 756,299	756,299	-	-
Total - primary government.....	756,299	756,299	-	-
Florida Municipal Investment Trust.....	1,096,691	6,580	1,090,111	-
Totals.....	\$ 1,852,990	762,879	1,090,111	-

The City's investments consist of amounts invested in the Local Government Surplus Trust Fund managed by the Florida State Board of Administration (SBA); and Police Pension Trust Funds maintained by the Florida Municipal Pension Trust Fund (FMPTF).

Local Government Surplus Trust Fund. The City's investment in the Local Government Surplus Trust Fund (the "Fund") is managed by the Florida State Board of Administration (SBA). The SBA is part of the Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Fund. As a Florida PRIME pool participant, the City invests in a pool of investments whereby the City owns a share of the

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respective pool, not the underlying securities. The Fund invests in short-term, high-quality fixed income securities. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more nationally recognized statistical rating organizations (“NRSROs”).

In March 1997, GASB issued Statement 31, titled “Accounting and Financial Reporting for Certain Investments and for External Investment Pools.” GASB 31 applies to the Florida PRIME. GASB 31 outlines the two options for accounting and reporting for money market investment pools as either “2a-7 like” or fluctuating net asset value (NAV). GASB 31 describes a “2a-7 like” pool as an “external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the “1940 Act”). Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions.

In June 2010, GASB issued Statement 59, titled “Financial Instruments Omnibus.” GASB 59 clarifies the definition of a “2a-7 like” pool as an “external investment pool that operates in conformity with the Securities and Exchange Commission’s (SEC) Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended.” To qualify as a 2a-7 like pool, the pool should satisfy all SEC requirements of Rule 2a-7, including that a group of individuals fulfills the functions of a board of directors. The pool is not required to register with the SEC. The SBA’s interpretation of GASB 31 is that the Florida PRIME is currently considered an SEC 2a-7 like fund, thus the account is considered the fair value of the investment in the Fund.

Florida Municipal Pension Trust Fund (FMPTF). The FMPTF is established as a trust whereby governmental entities with employee pension plans may elect to join the trust (becoming a Participating Employer), and with the trust providing the plans with administrative and investment services for the benefit of Participating Employers, Participating Employees, and Beneficiaries. All employee pension plan assets with the FMPTF are included in the trust's Master Trust Fund. Employee pension plan assets of the defined benefit type are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT) for the benefit of the Participating Employers, Participating Employees and Beneficiaries.

The FMIvT is a Local Government Investment Pool (LGIP) and, therefore, considered an external investment pool for GASB reporting requirements. The City is a Participating Employer in the FMPTF and has a beneficial interest in shares in the FMIvT (Fund A) portfolio listed below. The City’s investment is the beneficial interest in the FMIvT portfolio, not the individual securities held within each portfolio. As of September 30, 2014, the asset allocations for the various investment models were as follows:

Investment Portfolios/Funds	Percent
Cash and money market.....	0.60%
FMIvT Broad Market High Quality Bond.	16.00%
FMIvT Core Plus.....	23.40%
FMIvT High Quality Growth.....	8.00%
FMIvT Large Cap Diversified Value.....	8.20%
FMIvT Russell 1000 Enhanced Index.....	23.40%
FMIvT Diversified Small-Midcap Equity..	10.90%
FMIvT International Equity.....	9.50%
Total.....	100.00%

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Interest Rate Risk. Generally, 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.

GASB 40, "*Deposit and Investment Risk Disclosures*," requires that interest rate risk be disclosed using one of the five approved methods for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a-7 like pool. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation model. Different methods may be presented for different types of investments. At September 30, 2014, the WAM of the Florida PRIME is 39 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

<u>Fixed Income Fund</u>	<u>Effective Duration</u>	<u>WAM</u>
FMIvT Broad Market High Quality Bond.	4.77	6.47
FMIvT Core Plus Fixed Income Fund.....	2.91	6.52

Foreign Currency Risk. This category applies only if a government's deposits or investments are exposed to foreign currency risk. If subject to such exposure, the government should disclose the dollar balances subject to such risks, organized by currency denomination and investment type. The City's investments in the SBA and the FMIvT are not subject to foreign currency risk.

Credit Risk. The provisions of Section 218.415, Florida Statutes, require that the investment activity of the City be conducted in accordance with a written investment plan adopted by the governing body. Under that plan, allowable investment instruments include: bonds, notes, certificates of indebtedness, treasury bills, or other securities which are guaranteed by the full faith and credit of the United States of America, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits, including those held with the Florida State Board of Administration investment pool.

Investments in the City's pension trust fund are limited by state statutes (Chapter 185, Florida Statutes) and by an investment policy adopted by the fund's Board of Trustees. The basic allowable investment instruments include obligations of, or obligations the principal and interest of which are guaranteed by, the U.S. Government; time deposits or savings accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation, or a savings, building and loan association insured by the Federal Savings and Loan Insurance Corporation; money market accounts that invest in U.S. Government obligations; bonds issued by the State of Israel; and bonds, stocks or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the U.S., any state or organized territory of the U.S., or the District of Columbia.

Credit risk exists when there is a possibility the issuer, or other counterparty to an investment, may be unable to fulfill its obligations. GASB 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

investments of fixed-income securities. Investments may be aggregated by rating categories within the disclosure. Ratings are set by nationally recognized statistical rating organizations (Fitch, Moody's, Standard & Poors). In cases where an investment is unrated, a disclosure noting that the investment is unrated is required. The following is a summary of the credit ratings for the FMIvT Funds:

Fixed Income Fund	Fitch Rating
FMIvT Broad Market High Quality Bond.	AA/V4
FMIvT Core Plus Fixed Income Fund.....	Not Rated
Equity Portfolios	Rating
FMIvT High Quality Growth.....	Not Rated
FMIvT Large Cap Diversified Value.....	Not Rated
FMIvT Russell 1000 Enhanced Index.....	Not Rated
FMIvT Diversified Small-Midcap Equity..	Not Rated
FMIvT International Equity.....	Not Rated

Credit Quality. The Florida PRIME is rated by Standard and Poor's, with a rating of AAAm as of September 30, 2014.

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

NOTE 6 – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables: Amounts are aggregated into single accounts receivable (net of allowance for uncollectible accounts) lines for certain funds and aggregated columns. Below is a detail of receivables anticipated to be collected within an operating cycle:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Delinquent taxes receivable	\$ 13,523	-	13,523
Accounts receivables-utility/franchise	35,328	-	35,328
Customer utility accounts	-	133,063	133,063
Customer unbilled accounts	-	13,053	13,053
Due from other governments	2,955	-	2,955
Other miscellaneous receivables	<u>605</u>	<u>-</u>	<u>605</u>
	52,411	146,116	198,527
Less: allowance for doubtful accounts	<u>-</u>	<u>(21,359)</u>	<u>(21,359)</u>
Total receivables, net	<u>\$ 52,411</u>	<u>124,757</u>	<u>177,168</u>

Payables: Amounts are aggregated into single accounts payable and accrued liabilities lines for certain funds and aggregated columns. Below is a detail of payables anticipated to be paid within an operating cycle:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Accounts payable	\$ <u>76,518</u>	<u>-</u>	<u>76,518</u>
Accrued payroll	34,271	-	34,271
Accrued liabilities – employee benefits	35,257	-	35,257
Accrued interest	<u>-</u>	<u>13,392</u>	<u>13,392</u>
	69,528	13,392	82,920
Total accounts payable/accrued liabilities	<u>\$ 146,046</u>	<u>13,392</u>	<u>159,438</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

NOTE 7 - INTERFUND BALANCES

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. Individual fund interfund receivables and payables at September 30, 2014, are comprised of the following:

	<u>Due From</u>	<u>Due To</u>
Governmental Activities:		
General Fund:		
Stormwater Management Fund.....	\$ -	8,860
Water Utility Fund.....	-	67,979
Stormwater Management Fund:		
General Fund.....	<u>8,860</u>	<u>-</u>
	<u>8,860</u>	<u>76,839</u>
Business-type Activities:		
Water Utility Fund:		
General Fund.....	<u>67,979</u>	<u>-</u>
Totals - all funds.....	<u>\$ 76,839</u>	<u>76,839</u>

Individual fund interfund transfers for the year ended September 30, 2014, are comprised of the following:

	<u>Transfer To</u>	<u>Transfer From</u>
Governmental Activities:		
General Fund:		
General Trust Fund.....	\$ -	560
Water Utility Fund.....	-	9,780
General Trust Fund:		
General Fund.....	<u>560</u>	<u>-</u>
Totals - governmental funds.....	<u>560</u>	<u>10,340</u>
Business-type Activities:		
Water Utility Fund:		
General Fund.....	<u>9,780</u>	<u>-</u>
Totals - all funds.....	<u>\$ 10,340</u>	<u>10,340</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

NOTE 8 - CAPITAL ASSETS

The following is a summary of changes in capital assets during the year:

A. Governmental Activities

	Balances 9/30/2013	Additions	Deletions	Balances 9/30/2014
Capital assets not being depreciated:				
Land.....	\$ 479,483	3,687	-	483,170
Construction in progress.....	16,116	-	-	16,116
Total capital assets not being depreciated..	<u>495,599</u>	<u>3,687</u>	<u>-</u>	<u>499,286</u>
Capital assets being depreciated:				
Buildings.....	1,566,581	8,475	-	1,575,056
Improvements other than buildings.....	1,601,763	295,802	-	1,897,565
Machinery and equipment.....	606,152	37,492	-	643,644
Total capital assets being depreciated.....	<u>3,774,496</u>	<u>341,769</u>	<u>-</u>	<u>4,116,265</u>
Less accumulated depreciation for:				
Buildings.....	(492,289)	(46,845)	-	(539,134)
Improvements other than buildings.....	(316,052)	(41,207)	-	(357,259)
Machinery and equipment.....	(491,588)	(22,776)	-	(514,364)
Total accumulated depreciation.....	<u>(1,299,929)</u>	<u>(110,828)</u>	<u>-</u>	<u>(1,410,757)</u>
Total capital assets being depreciated, net.	<u>2,474,567</u>	<u>230,941</u>	<u>-</u>	<u>2,705,508</u>
Total capital assets, net.....	<u>\$ 2,970,166</u>	<u>234,628</u>	<u>-</u>	<u>3,204,794</u>

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

Governmental Activities:

General government.....	\$ 38,786
Public safety.....	14,685
Physical environment.....	10,531
Transportation.....	14,074
Culture/recreation.....	<u>32,752</u>

Total depreciation expense - governmental activities..... \$ 110,828

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

B. Business-Type Activities

	Balances 9/30/2013	Additions	Deletions	Balances 9/30/2014
Capital assets not being depreciated:				
Construction in progress.....	\$ -	-	-	-
Capital assets being depreciated:				
Improvements other than buildings.....	2,999,149	-	-	2,999,149
Machinery and equipment.....	353,638	13,402	(2,665)	364,375
Total capital assets being depreciated.....	3,352,787	13,402	(2,665)	3,363,524
Less accumulated depreciation for:				
Improvements other than buildings.....	(907,996)	(68,602)	-	(976,598)
Machinery and equipment.....	(339,416)	(4,065)	2,665	(340,816)
Total accumulated depreciation.....	(1,247,412)	(72,667)	2,665	(1,317,414)
Total capital assets being depreciated, net.	2,105,375	(59,265)	-	2,046,110
Total capital assets, net.....	<u>\$ 2,105,375</u>	<u>(59,265)</u>	<u>-</u>	<u>2,046,110</u>

Depreciation expense for the year totaled \$72,677. There were no interest costs capitalized during the year ended September 30, 2014.

NOTE 9 - LONG-TERM DEBT

The City's long-term debt outstanding at September 30, 2014, is as follows:

A. Governmental Activities

	Balance Due	Current Maturities
Compensated absences.....	\$ 95,952	<u>\$ 26,867</u>
Other postemployment benefit obligation.....	194,371	
Total governmental activities long-term debt.....	<u>\$ 290,323</u>	

A summary of changes in the City's governmental activities long-term debt for the year is as follows:

	Balances 9/30/2013	Additions	Deletions	Balances 9/30/2014
Compensated absences.....	\$ 114,926	48,616	(67,590)	95,952
Other postemployment benefit obligation.....	162,281	32,090	-	194,371
Totals.....	<u>\$ 277,207</u>	<u>80,706</u>	<u>(67,590)</u>	<u>290,323</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

B. Business-Type Activities

	<u>Balance Due</u>	<u>Current Maturities</u>
Notes Payable:		
State of Florida, Department of Environmental Protection-Drinking Water State Revolving Fund Loan Agreement, 3.05% to 3.57% construction loan dated 6/14/2000 in the amount of \$1,377,456, with amendments authorizing additional financing of \$318,512, providing for an amended obligation totaling \$1,695,969, due semi-annually with payments of \$59,273 beginning 10/15/2003 through 4/15/2022.....	\$ 821,097	90,629
State of Florida, Department of Environmental Protection-Drinking Water State Revolving Fund Loan Agreement, 2.57 to 2.77% construction loan dated 6/5/2008 in the amount of \$260,922, due semi-annually with payments of \$8,694 through 3/15/2029.....	<u>206,962</u>	<u>11,804</u>
	1,028,059	102,433
Compensated absences.....	22,345	6,257
Other postemployment benefit obligation.....	<u>30,515</u>	<u>-</u>
Total business-type activities long-term debt.....	<u>\$ 1,080,919</u>	<u>108,690</u>

A summary of changes in the City's business-type activities long-term debt for the year is as follows:

	<u>Balances 9/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 9/30/2014</u>
Notes Payable:				
State of Florida Department of Environmental Protection-Clean Water State Revolving Fund Loans:				
\$1,695,969 loan dated 6/14/2000.....	\$ 908,641	-	(87,543)	821,098
\$260,922 loan dated 6/5/2008.....	218,449	-	(11,488)	206,961
Compensated absences.....	26,389	16,205	(20,249)	22,345
Other postemployment benefit obligation.....	<u>21,719</u>	<u>8,796</u>	<u>-</u>	<u>30,515</u>
Totals.....	<u>\$ 1,175,198</u>	<u>25,001</u>	<u>(119,280)</u>	<u>1,080,919</u>

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Annual debt service requirements to maturity, including principal and interest, on long-term debt obligations are as follows:

Fiscal Year	FDEP - SRF Loans		Total
	Principal	Interest	
September 30, 2015.....	\$ 102,433	33,502	135,935
September 30, 2016.....	105,953	29,982	135,935
September 30, 2017.....	109,595	26,340	135,935
September 30, 2018.....	113,363	22,572	135,935
September 30, 2019.....	117,262	18,673	135,935
September 30, 2020 through 2024.....	406,300	36,283	442,583
September 30, 2025 through 2029.....	<u>73,153</u>	<u>5,096</u>	<u>78,249</u>
Totals.....	<u>\$ 1,028,059</u>	<u>172,448</u>	<u>1,200,507</u>

As a part of the FDEP Loan Agreement dated June 14, 2000, the City is required to establish and maintain a Loan Payment Reserve Account with a balance of at least \$46,864 (in compliance) through maturity (2023). On both FDEP loan obligations, the City is also required to make mandatory monthly payments to established Loan Payment Sinking Funds sufficient to service the loan obligations. In addition to these requirements, the City has agreed to comply with other covenants and restrictions contained within these agreements. Specifically, the City is required to maintain a loan debt service coverage ratio of 1.15 times throughout the term of the loans.

Matters of Noncompliance. For the year ended September 30, 2014, the City failed to make specific mandatory monthly payments to the established Loan Payment Sinking Funds and “catching up” in subsequent months. As it relates to one sinking fund, a shortfall existed at September 30, 2014 in the amount of \$7,240. Subsequent to the City’s fiscal year end, this shortfall was corrected and all mandatory monthly payments were being remitted.

Each year, the chief financial officer shall submit a certification that (a) pledged revenues satisfy the coverage requirement, (b) debt service account contains the funds required, (c) insurance is in effect sufficient to cover risks. This certificate is required to be submitted prior to September 30 of each fiscal year. During the year ended September 30, 2014, this certificate was not submitted.

The notes payable to the State of Florida, Department of Environmental Protection State Revolving Fund Loan are secured by pledged revenues of the City collected in the Water Utility Fund.

Total interest and debt expense incurred for business-type activities for the year ended September 30, 2014 was \$35,489. Of this amount, \$-0- was capitalized as a component of the costs of capital assets constructed during the year and \$35,489 was charged to expense.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

NOTE 10 - PLEDGED REVENUES

The City has pledged future revenues derived from the operation of the City's Water Utility Fund, net of operating and maintenance expenses, to repay \$1,028,059 in State of Florida, Department of Environmental Protection-Drinking Water State Revolving Fund loans. Proceeds from the loans provided financing for improvements to the water supply system. The loans are payable solely from the net earnings of the Water Utility Fund (pledged revenues) and are payable semi-annually through 2029. The total principal and interest remaining to be paid on the loans is \$1,200,508, with annual payments expected to require approximately 100 percent of net revenues. Principal and interest paid for the current year and net pledged system revenues were \$135,935 and \$109,759, respectfully.

NOTE 11 - RESTRICTED NET POSITION

The government-wide statement of net position reports \$212,736 in restricted net position, of which \$127,367 is restricted for capital projects through local resolution and state legislation related to the use of revenues collected for impact fees and development reviews; \$83,078 is restricted for debt service obligations established through externally imposed loan agreements and covenants; and \$2,291 is restricted for police education and training by enabling state legislation.

NOTE 12 - EMPLOYEES' PENSION PLANS

A. Florida Retirement System

Plan Description. The City contributes to the Florida Retirement System (the "FRS") of the State of Florida, a cost-sharing, multiple-employer public employee retirement system created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida. This defined benefit pension plan, which is administered by the State of Florida, Department of Management Services, Division of Retirement, provides retirement and disability benefits and death benefits to plan members and beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, F.S. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Florida Retirement System, Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000, or calling 850-488-5706.

Funding Policy. The FRS funding policy provides for required monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability reemerges, future plan benefit changes, assumption changes, and methodology changes are amortized within 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

The City made the required employer contributions to the plan for the fiscal years ended September 30, 2014, 2013, and 2012, which were \$59,599, \$45,604, and \$36,433, respectively. Employees are required to contribute 3% of covered wages to the plan effective July 1, 2011. The employee's contributions to the plan for the fiscal years ended September 30, 2014, 2013, and 2012, were \$18,279, \$18,124, and \$15,885, respectively.

Effective July 1, 2011, all covered employees, other than those who have elected to enter the Deferred Retirement Option Program (DROP), are required to contribute 3% of their covered payroll. The following is a summary of employer contribution percentages for qualifying compensation paid to general participants, Special Risk participants, and DROP participants in effect during each of the past three fiscal years ended September 30, 2014, 2013, and 2012 by retirement plan periods (rates specified below include an additional 1.11% for the City's option to include health insurance subsidy contribution):

	<u>Regular Employees</u>	<u>Special Risk Employees</u>	<u>DROP Employees</u>
Plan year beginning July 1, 2014	10.37%	22.82%	12.28%
Plan year beginning July 1, 2013	6.95%	19.06%	12.84%
Plan year beginning July 1, 2012	5.18%	14.90%	5.44%

B. Municipal Police Officers' Retirement Trust Fund - Defined Benefit Pension Plan

Plan Description. The City contributes to the Florida Municipal Pension Trust Fund Defined Benefit Plan and Trust (the "Plan"), a single-employer defined benefit 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. As of October 1, 2013, there were 4 active participating members enrolled in the Plan, and one deferred (terminated) vested participant. There were no retired, disabled (receiving benefits from the Plan), beneficiaries receiving benefits nor any terminated employees entitled to but not yet receiving benefits from the Plan. No stand-alone financial report is issued for the Plan.

The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the fund, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments for the Plan can be found in Chapter 185, Florida Statutes. These statutes provide, in general, that funds are to be accumulated from employee contributions, City contributions, State appropriations and income from investments from accumulated funds. The act also provides that should the accumulated funds at any time be insufficient to meet and pay the benefits due, the City shall supplement the funds by an appropriation from current funds or from any revenues which may be lawfully used for said purposes in an amount sufficient to make up the deficiency. The investments of the fund are administered, managed, and operated by the board of trustees using the services of the Florida League of Cities.

All full-time, uniformed police officers employed after 1995 are eligible (and required as a condition of employment) to participate in the Plan upon employment with the City. 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.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Summary of Significant Accounting Policies of the Plan. The accrual basis of accounting is utilized in presenting the pension trust fund's combining statement of net position and combining statement of revenue, expenses and changes in net position. Plan receivables are short-term and typically consist of contributions due from the City, State and/or from Plan members, when applicable. Plan liabilities would generally include prepaid sponsor contributions, benefits due to plan members and beneficiaries, and accrued investment and administrative expenses which are recognized when due and payable in accordance with the terms of the Plan. The difference between total plan assets and total plan liabilities at the reporting date are captioned net position held in trust for pension benefits reserved for employees' pension benefits and represent the net position held in trust for pension benefits.

Investments are reported at fair value and are managed by third party money managers. Investments that do not have an established market are reported at estimated fair value. Performance reporting, administrative expenses and the City's asset valuation are based on the custodians' determination of value.

Contribution Requirements and Contributions Made. The City provides contributions to the Plan under the authority of Chapter 185, Florida Statutes, and pursuant to City ordinances. Employees covered under the plan are required to make contributions of 1% of their compensation. The City is required to contribute the remaining amounts necessary to fund the Plan based on the funding amounts determined by the Plan's actuary. During the most recent year, the City's pension contributions included the City's share of Casualty Insurance Premium Taxes (\$18,960) received annually from the State of Florida on behalf of the plan's covered employees which is used to reduce the City's required contribution. Other sponsor contributions included \$18,028 of the \$22,086 in prepaid sponsor contributions that existed at the beginning of the plan year.

The City has adopted GASB Statement No. 27 on pension accounting and reporting. This statement requires the computation of a net pension obligation (NPO) or asset which would result if the City's contributions to the pension fund did not equal the annual pension cost as computed by the plan actuary. During the current year, the City evaluated the plan to determine the net pension obligation or asset at October 1, 2014 (the most recent valuation date).

The City's annual pension cost and net pension obligation of the Police Plan (based on the most current valuation available-October 1, 2014) were as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/2014.....	\$ 26,591	94%	\$ 5,399
09/30/2013.....	\$ 25,331	93%	3,708
09/30/2012.....	\$ 39,563	96%	1,919

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

The development of the revised Net Pension Obligation (NPO) in the Police Plan to date is as follows:

	<u>09/30/12</u>	<u>09/30/13</u>	<u>09/30/14</u>
Actuarially determined contribution.	\$ 39,563	25,338	26,605
Interest on NPO	0	144	260
Adjustment	<u>0</u>	<u>(151)</u>	<u>(274)</u>
Annual Pension Cost	39,563	25,331	26,591
Contributions made	<u>(38,115)</u>	<u>(23,542)</u>	<u>(24,900)</u>
Increase (decrease) in NPO	1,448	1,789	1,691
NPO - beginning of year	<u>471</u>	<u>1,919</u>	<u>3,708</u>
NPO - end of year	<u>\$ 1,919</u>	<u>3,708</u>	<u>5,399</u>

The above net pension obligation has been included in the accrual-based government-wide statements of net position and activities, as required.

The actuarial valuation for the plan was prepared in accordance with GASB Statements No. 25 and 27. Significant actuarial assumptions used in the valuation of the plan (based on the most current valuation available-October 1, 2014) are as follows:

Contribution rates as of 09/30/14:

City (and state)	4.61%
Plan Members	1.0%
Annual Pension Cost	\$ 26,591
Contributions made	\$ 24,900
Actuarial valuation date	10/01/14
Actuarial cost method	Aggregate
Amortization method	Level \$, open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%

Funded Status and Funding Progress - Based on the October 1, 2014 actuarial valuations, the funded status of the Police Plan was as follows:

Actuarial accrued liability (AAL)	\$ 537,951
Actuarial value of plan assets	<u>943,466</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 0</u>
Funded ratio (actuarial value of plan assets/AAL)	175.38%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 119,534
UAAL as a percentage of covered payroll	0.00%

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

The summary valuation information pertinent to the required supplementary information schedules is provided above. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Related Party Transactions. The City held no securities which were included in the assets of the Police Plan.

Required Supplementary Information. The required supplementary information pursuant to GASB No. 25 is contained in Schedules 1 and 2 presented immediately following these notes to the financial statements.

C. General Employees – Nationwide Retirement Solutions:

The City offers employees' participation in an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contribution, 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. Employer Contributions to the 457 Plan for the fiscal years ended September 30, 2014, 2013, and 2012, totaled \$-0-, \$-0-, and \$-0-, respectively. Employee contribution to the 457 Plan for the fiscal years ended September 30, 2014, 2013, and 2012, totaled \$22,684, \$29,471, and \$31,718, respectively.

NOTE 13 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

Funding Policy. The contribution requirements of plan members and the City are based on composite health insurance premium costs and may be amended by the City Commission. The required contribution is based on projected pay-as-you-go financing requirements and is subject to constant revision. The City has opted to not fund the net OPEB obligation or the resulting unfunded actuarial accrued liability on an annual basis.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a fifteen-year open period.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

The following table shows the components of the City's annual OPEB for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan based on a the most recent actuarial valuation dated October 1, 2013:

	Estimated <u>09/30/2012</u>	Estimated <u>09/30/2013</u>	<u>09/30/2014</u>
Annual required contribution (ARC)	\$ 56,000	56,000	51,915
Interest on prior Net OPEB obligation.....	0	0	7,360
Prior Net OPEB obligation adjustment.....	<u>0</u>	<u>0</u>	<u>(8,319)</u>
Annual OPEB cost (expense).....	56,000	56,000	50,956
Estimated net contributions made	<u>(7,000)</u>	<u>(7,000)</u>	<u>(10,070)</u>
Increase in net OPEB obligation.....	49,000	49,000	40,886
Net OPEB obligation-beginning of year	<u>86,000</u>	<u>135,000</u>	<u>184,000</u>
Net OPEB obligation-end of year	<u>\$ 135,000</u>	<u>184,000</u>	<u>224,886</u>

The City's annual OPEB cost (and estimates), the percentage of annual OPEB cost contributed to the plan, and the estimated net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/12	\$ 56,000	14.00%	\$ 135,000
09/30/13	\$ 56,000	14.00%	\$ 184,000
09/30/14	\$ 50,956	19.80%	\$ 224,886

Funded Status and Funding Progress. Based on the October 1, 2013 actuarial valuations, the funded status of the OPEB Plan was as follows:

Actuarial accrued liability (AAL)	\$ 232,112
Actuarial value of plan assets.....	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 232,112</u>
Funded ratio (actuarial value of plan assets/AAL).....	0.00%
Covered payroll (annual payroll of active employees covered by the plan).....	\$ 878,128
UAAL as a percentage of covered payroll	26.43%

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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to constant revision as actual experience is compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2013, actuarial valuation, the Entry Age Normal (level % of pay) Actuarial Cost Method was used. The actuarial assumptions included a 4.0% funding interest rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% percent initially, reduced by 1.0% annual decreases to an ultimate rate of 4.5% in 2017. If, and when, funded, the actuarial value of assets will be determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized over a level percentage of payroll (closed amortization for 30 years).

NOTE 14 - LEGAL MATTERS

The City is involved in various legal proceedings incidental to the conduct of its municipal 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. No amounts have been accrued at September 30, 2014.

NOTE 15 - 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.

NOTE 16 - RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2014

CITY OF LAKE HELEN, FLORIDA

NOTE 17 - PRIOR PERIOD ADJUSTMENT

Municipal Police Officers' Retirement Trust Fund. During the prior year ended September 30, 2013, the plan sponsor over-funded cumulative excess retirement contributions in the police pension trust fund in the amount of \$22,086. The actual amount of the overpayment had not been determined until completion of an independent actuarial valuation dated October 1, 2014. As a result of the overpayment, the trustee has reported a prior period adjustment to reflect an increase in unearned sponsor contributions of \$22,086 at October 1, 2013. A corresponding decrease of \$22,086 in net position available for member benefits has been recognized to restate the reduction in the beginning net position at October 1, 2013 to \$972,279, down from the \$994,365 balance previously reported at September 30, 2013.

NOTE 18 - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 5, 2015, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND
September 30, 2014
CITY OF LAKE HELEN, FLORIDA

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ⁽¹⁾ (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Not applicable	N/A	N/A	N/A	N/A	N/A	N/A
10/01/10	\$515,198	\$468,313	\$0	110.01%	\$150,291	0.00%
Not applicable	N/A	N/A	N/A	N/A	N/A	N/A
10/01/12	\$710,588	\$456,299	\$0	155.73%	\$160,017	0.00%
Not applicable	N/A	N/A	N/A	N/A	N/A	N/A
10/01/14	\$943,446	\$724,263	\$0	130.26%	\$119,534	0.00%

⁽¹⁾ After 2006, the AAL has been calculated under the entry age normal cost method.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Percent Contributed	Annual Pension Cost	Percent Contributed
09/30/09	\$48,297	100%	\$48,297	100%
09/30/10	\$52,945	100%	\$52,945	100%
09/30/11	\$37,588	99%	\$37,588	99%
09/30/12	\$39,561	96%	\$39,563	96%
09/30/13	\$25,338	93%	\$25,331	93%
09/30/14	\$26,605	94%	\$26,591	94%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2014
Actuarial cost method	Aggregate
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	4.00%

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT OBLIGATION
September 30, 2014
CITY OF LAKE HELEN, FLORIDA

<u>SCHEDULE OF FUNDING PROGRESS</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/01/09	\$0	\$237,000	\$237,000	0.00%	\$727,000	32.60%
10/01/10	n/a	n/a	n/a	n/a	n/a	n/a
10/01/11	n/a	n/a	n/a	n/a	n/a	n/a
10/01/12	n/a	n/a	n/a	n/a	n/a	n/a
10/01/13	\$0	\$232,112	\$232,112	0.00%	\$878,128	26.43%

<u>SCHEDULE OF EMPLOYER CONTRIBUTIONS</u>					
<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	
09/30/09	n/a	n/a	n/a	n/a	
09/30/10	\$47,000	13%	\$47,000	13%	
09/30/11	\$54,000	13%	\$52,000	13%	
09/30/12	\$56,000	13%	\$56,000	13%	
09/30/13	\$56,000	13%	\$56,000	13%	
09/30/14	\$51,915	19%	\$50,956	20%	

SUPPLEMENTAL AUDIT REPORTS

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**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***

The Honorable Mayor, and
Members of the City Commission
City of Lake Helen, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lake Helen, Florida (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described (and identified as Material Weaknesses) in the accompanying schedule of findings and questioned costs to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs (and identified as Significant Deficiencies) to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described (and identified as Compliance and Other Matters) in the accompanying schedule of findings and questioned costs.

City of Lake Helen, Florida's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.



May 5, 2015

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

The following table summarizes the status of the prior year findings and responses included in the prior year's 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* in fiscal year 2013. The prior year reference number indicates the fiscal year that the comment was first addressed in the schedule of findings and responses.

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
Internal Control - Material Weakness:			
#2008-MW01 Year End Closing Procedures		x	2008-01
#2008-MW02 Cash Disbursements.....		x	2008-02
#2008-MW03 Capital Asset Records and Maintenance.....		x	2008-03
#2008-MW04 Managerial Oversight Function.....		x	2008-05
#2009-MW01 Utility Accounts Receivable		x	2009-02
#2010-MW01 Inventory Procedures-CAC.....		x	2010-02
#2011-MW01 Utility Customer Deposits.....		x	ML 2011-01
#2012-MW01 Creative Arts Café Operations Matters ...		x	ML 2012-01
#2013-MW01 Bank Reconciliation Procedures.....		x	2013-01
Internal Control - Significant Deficiencies:			
#2008-SD01 Accounts Payable Reconciliation/Postings		x	2008-04
#2009-SD01 Accuracy of Account Postings.....		x	2009-01
#2010-SD02 Purchase Orders and Procurements.....	x		ML 2010-01
#2012-SD01 Utility Billing Conversion.....		x	2012-01
#2013-SD01 Cash Management Matters.....		x	2013-01
Compliance and Other Matters:			
#2010-COM01 Timely Deposit of Police Pension Funds		x	2010-04
#2010-COM02 Impact Fee Funds	x		2010-05
#2012-COM01 Unclaimed Property		x	2012-03
#2013-COM01 Annual Police Pension Report.....		x	2013-01

The following pages contain a summary of the status of items for which corrective action is not yet completed. These matters are organized under the above sections in the same order as listed.

Significant Deficiencies:

#2010-SD02: Purchase Orders and Procurements

We continued to note that the City does not formally utilize a formally approved Purchase Order system to manage its contractual purchasing commitments, budget authorizations and related procurements. As a result, virtually all City-wide procurements are made under the direct authority of the various department heads without any significant pre-approved acceptance of the financial commitments by management. This practice could allow for unauthorized purchases to occur and not otherwise be detected.

Recommendation: We continue to suggest that a formal purchase order system should be employed to manage the City's combined purchasing commitments and to reduce the inherent risks associated with these procurements. The implementation and use of purchase orders will provide the City with more timely information and it will facilitate management in addressing budget concerns more timely and effectively. We would like to suggest that the accounting function now go one step further by also

SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

tracking accounts payable from the point of purchase order approval. We suggest that these amounts could be recorded as a separate account or subset of the standard accounts payable, however, we strongly feel that knowledge of the open purchase orders at any given point in time would be very useful information. We understand that there are some training and time availability issues that would need to be resolved before undertaking this task. As with any change in the accounting system, an organized plan that is well thought out in design and development and followed well will have a major impact on the success of this new policy.

Auditee Response: Ordinance 2015-01, Purchasing Policy comes before the Lake Helen Commission on May 14, 2015 for a second reading and approval. This ordinance directly addresses the issues raised in this finding. Moreover, the Finance Manager has developed procedures that allow for producing purchase orders, obtaining necessary approvals, tracking purchase orders, booking necessary encumbrances in the accounting system, and providing the capability to produce reports on open purchase orders as needed.

Compliance and Other Matters

#2010-COM02: Impact Fee Funds

Pursuant to the provisions of Chapter 166.201, Florida Statutes, water utility impact fees charged and collected by the City shall be kept separate from other revenues of the City and must be used exclusively to acquire, purchase, or construct new facilities or portions thereof needed to provide additional water utility capacity. During each of the past five years, the City did not deposit the proceeds of its water utility development (impact) fees into the required and restricted water development account. Amounts totaling \$5,000, plus accrued investment interest, should have been transferred to the restricted account as of September 30, 2010. Additional amounts totaling \$1,000, \$4,000, \$2,000 and \$2,000, plus accrued investment interest, should have been transferred to the restricted account as of September 30, 2011, 2012, 2013 and 2014, respectively.

Recommendation: We continue to recommend that the City should monitor its current policies and procedures to ensure that future deposits of restricted funds are made to the appropriate accounts pursuant to the applicable statutory requirements.

Auditee Response: We concur with this finding, and we expect to correct this deficiency during this current fiscal year.

#2014-COM01: Annual Police Pension Report Preparation

Pursuant to the provisions of Chapter 185.221 (2)(a), on or before March 15, the trustees of the local law retirement plan shall submit an annual report to the Florida Department of Management Services, Division of Retirement in order for the retirement plan of a qualifying municipality to receive a share of the state funds for the then-current calendar year. In January 2015, this report was prepared by the Plan Administrator (Florida Municipal Pension Trust Fund), submitted to the City for approval and signatures, and then submitted to the Division on or prior to March 15, 2015. During the conduct of the audit, we noted that the Annual Report did not properly reflect the beginning fund balance (Line 24, Page 25 of the report), and that the amount reported as the beginning fund balance was not properly carried forward from the previous Annual Police Report filed (in accordance with the filing instructions). We determined that the difference was attributed to a restatement of the prior year's report due to the recognition of unearned sponsor contributions totaling \$22,086 which were subsequently computed by an independent actuary in the production of the October 1, 2014 actuarial valuation. As a result, the City was required to record a

SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

prior period adjustment to appropriately reflect the utilization of these prepayments to offset current year (FY 2014) sponsor contributions in the amount of \$18,028 and to reflect the remaining \$4,058 in unearned contributions at year end.

Recommendation: We recommend that the City should properly review this report with the Plan Administrator on a timely basis to confirm its accuracy and to obtain an understanding of any significant changes that are made as the result of unanticipated actuarial restatements.

Auditee Response: *It should be noted that the city submitted the Annual Police Report on March 9, 2015; we did not receive the actuarial report until March 24, 2015. Consequently, we could not have known about the prior period restatement at the time we submitted the Police Pension Report. We had no reason to suspect that there would be a prior period restatement. In the future we will understand that we should wait for a pending actuarial report before submitting the Police Pension Report.*

#2014-COM02: FDEP State Revolving Fund Loan Rate Covenant - Water Utility Fund

In June 2000, the City entered into a Drinking Water State Revolving Fund Loan Agreement with the Florida Department of Environmental Protection in the amount of \$1,695,969. In June 2008, the City entered into an additional Drinking Water State Revolving Fund Loan (parity) Agreement in the amount of \$260,922. In accordance with the terms and conditions of the loans (Article V, Section 5.01), the City as project sponsor has covenanted to maintain rates and charges for the services furnished by the water utility system which will be sufficient to provide, in each fiscal year, pledged revenues equal to or exceeding 1.15 times the sum of the semiannual loan payments due in such fiscal year. In addition, the project sponsor shall satisfy the coverage requirements of all senior and parity debt obligations. During the fiscal year ended September 30, 2014, we noted that the pledged revenues (\$109,759) were not sufficient to meet this requirement based on the mandatory principal and interest paid for the current year (\$135,935), and which exceeded net pledged system revenues by \$26,176.

Recommendation: We recommend that the City should take the appropriate steps to notify the Florida Department of Environmental Protection of its current status of not being able to confirm compliance with the applicable rate covenant and to examine the current water utility billing rates and costs applicable to the Water Utility Fund to determine what steps, if any, will be necessary to ensure that future net pledged revenues are sufficient to meet the rate coverage requirement and to pay the applicable loan debt service costs.

Auditee Response: *We concur with the need to comply with the pledged revenue portion of the city's loan covenants. We note that the current year's budget for the utility fund, prepared by the previous City Administrator, did not provide for adequate pledged revenues to comply with this loan covenant requirement. Consequently, we are unable to resolve this issue in the current fiscal year. We will propose an FY2016 budget for Commission approval that will allow for compliance with the pledged revenue portion of our loan covenants. We will also notify FDEP of our plan to come into compliance with respect to pledged revenues.*

#2014-COM03: FDEP State Revolving Fund Loan Covenant Certification - Water Utility Fund

Article II, Section 2.01(10) of the warranties, representations and covenants of the Drinking Water State Revolving Fund Loan Agreements with the Florida Department of Environmental Protection provides that each year, beginning three months before the first semiannual loan payment and ending with the year during which the final loan repayment is made, the project sponsor's authorized representative or its chief financial officer shall submit, pursuant to the schedule established in Section 10.07 (of the Loan

SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

Agreement), a certification that: (a) pledged revenue collections satisfy the rate coverage requirement; (b) the loan debt service account contains the funds required; and (c) insurance in effect for the facilities generating the pledged revenues adequately covers the customary risks to the extent that such insurance is available. This certification is required to be submitted to the FDEP prior to September 30 of each fiscal year. During the year ended September 30, 2014, we noted that this certification was not submitted to the FDEP.

Recommendation: We recommend that the City should develop the appropriate administrative procedures sufficient to ensure that all required FDEP loan covenants and other recurring administrative requirements are complied with on an annual basis.

Auditee Response: *We will review again the loan covenants that pertain to the Water Utility Fund's debt service to gain and ensure a better understanding of the compliance requirements as stipulated in the loan covenants. Based on this review, we will revise our policies and procedures to ensure full compliance with the loan covenants.*

MANAGEMENT LETTER

The Honorable Mayor, and
 Members of the City Commission
 City of Lake Helen, Florida

Report on the Financial Statements

We have audited the financial statements of City of Lake Helen, Florida (the “City”) as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated May 5, 2015.

Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor’s 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 Accountant’s 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, which are dated May 5, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address one of the findings and recommendations made in the preceding annual financial audit report. The pending status of the remaining three prior audit findings are addressed in the accompanying Schedule A under the heading of *Prior Year Findings* and includes:

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant	Prior Year Reference Number
ML 2008-02 Uniform Accounting Policies and Procedures Manual	x		ML 2008-02
ML 2013-01 Information Technology Matters	x		ML 2013-01
ML 2013-02 Codification of Ordinances		x	ML 2013-02
ML 2013-03 Updated OPEB Actuarial Report		x	ML 2013-03

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 is disclosed in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) 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. The financial condition assessment was done as of September 30, 2014, and is summarized in more detail in the in the accompanying Schedule A under the heading of *Current Year Findings*:

Annual Financial Report

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

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we offer our findings and recommendations in the accompanying Independent Auditor's 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*.

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 offer our findings and recommendations in the accompanying Independent Auditor's 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*.

To the Honorable Mayor, and
Members of the City Commission
City of Lake Helen, Florida
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Purpose of this Letter

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

BMC CPAs

May 5, 2015

PRIOR YEAR MATTERS

Pursuant to Section 10.554(1)(i)(1), Rules of the Auditor General the following is a summary of the status of any unresolved prior year findings and management letter comments issued by the external auditor in fiscal year 2013:

ML 2008-02 Uniform Accounting Policies and Procedures Manual

While the City has developed extensive written documentation of its human resource policies and procedures, some of which includes other approved management practices and operational systems and procedures, we continue to note that it has not yet fully developed a formal, written, accounting policies and procedures manual or written job descriptions which describe many of the City's accounting functions. While personnel have direct and easy access to management and selected financial management software manuals and documentation when questions arise, we noted that no formal tracking of routine accounting procedures is maintained. We also noted that some personnel have developed their own handwritten notebooks outlining specific procedures relating to their jobs. However, these procedures have not been formally documented or integrated with established departmental policies and directives.

Recommendation: We continue to recommend that management should establish a standard accounting and operating procedures manual outlining all fiscal policies to be followed. The preparation and maintenance of written standard procedures is very useful and serves to:

- Establish consistent City accounting practices.
- Establish and designate accounting and bookkeeping responsibilities.
- Reduce the likelihood of coding errors and assist in the preparation of timely and accurate monthly financial statements.
- Aid in review by management for adherence to City policies.
- Aid in exchange of management ideas.
- Provide the City with a source of information that will not be lost if key personnel leave.
- Aid in the training of new employees, especially in the event of an untimely resignation of key accounting staff.
- A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management.
- Also, in the process of the comprehensive review of existing accounting procedures, for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

This manual should include (1) a summary of the City's detailed general ledger chart of accounts, (2) a detailed explanation of functional and object account content, (3) an appropriately detailed description of all accounting procedures and routines, (4) a linear organization chart for all accounting functions, and (5) complete definitions of individual job authority and associated responsibilities. All such information must be developed in conformance with the Uniform Account System adopted by the Florida Department of Financial Services. Management should also periodically review each Department's compliance with standard procedures.

Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

We recognize that the preparation of the manual will be a very time consuming task so that implementation may take several years. However, we believe that action should be taken by the City to establish priorities and a timetable for the completion of the manual.

Auditee Response: The development of this manual is underway. We have prepared a number of written procedures and policies, one of which is the city's new purchasing policy that comes before the Commission for a second reading and approval on May 14, 2015. We have also developed procedures that ensure that required actions are completed in a timely and effective manner. This includes an accounts payable approval process that improves accuracy and strengthens internal controls. The best evidence of our progress is the elimination of all prior audit findings except two that are nearing resolution now. We will use the details outlined in this management letter comment as the basis for formalizing our policies and procedures.

ML 2013-01 Information Technology Matters

During the conduct of the audit, we continue to note that the City has not developed any formal written information technology policies and procedures that include 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. While we understand that the City contracts with an external contractor for virtually all of its computer support, we were not provided with any evidence to support that the City's information systems are systematically backed up for recovery purposes on a scheduled basis. In accordance with the Sunshine Law, data on the network, including electronic correspondence (email) records are public records. Therefore, such information must be secured, backed up, and maintained by the City in accordance with applicable state statutes.

Recommendation: We continue to recommend that the City should develop a formal written Information Technology Policies and Procedures Manual that clearly documents the processes and responsibilities associated with managing and maintaining the City's information systems. We also recommend that the City review its current network backup strategy to ensure that you are in compliance with the Sunshine Law and best practices for the retention of backup data. We advise that the backup strategy should include the following:

- Daily backups of the server, electronic correspondence (email), operating systems and all applications that are stored off-site.
- The inclusion of emergency startup CDs necessary for booting the City's computers.

Auditee Response: We are currently weeks away from implementing sweeping changes to our information technology infrastructure that will fully address the items as recommended by this comment.

Year Ended September 30, 2014

CITY OF LAKE HELEN, FLORIDA

CURRENT YEAR MATTERS

Pursuant to Section 10.554(1)(i)(1), Rules of the Auditor General the following is a summary of the status of any unresolved prior year findings and management letter comments issued by the external auditor in fiscal year 2013:

ML 2014-1 Financial Condition Assessment Findings

As part of our financial condition assessment, we evaluated the results of financial indicators developed by the Office of the Auditor General for quantitative analysis. Of 18 base financial indicators analyzed (29 individual items), we determined that 2 were favorable, 5 were unfavorable, 18 were inconclusive and 4 were not applicable. Overall, these results showed a continuing negative trend when compared to the prior year.

Rules of the Auditor General, Chapter 10.550, require certain disclosures in the management letter when financial condition assessment procedures reveal a declining financial position, and whether the declines are due to deteriorating financial position. It further calls for representing whether resources are available to fund the deficit(s). As of September 30, 2014, the City is facing a declining financial position, and the declines appear due to deteriorating financial conditions.

For fiscal year 2014, the City continued to experience reductions in liquidity and net position in the General Fund and in its government wide financial position. The primary reason for this situation is excess expenditures over revenues over four consecutive fiscal periods. The actual excess of expenditures over revenues of governmental funds for the past four years has totaled approximately \$600,000, the annual amount of which has continued to increase for each year in this period. The City's liquidity position has also continued to decline over this period as a result of the need to fund these excess expenditures with surplus cash funds and investments.

The City's water utility fund has continued to recognize growth, however, not at the same pace as operating expenses have been incurred. While many of the individual components of operating expense have been relatively controllable, the City's costs incurred for personal services to manage and operate the utility have increased by over 66% in the four year period from \$135,541 in 2011 to \$225,309 in 2014. Operating income in the water utility fund has also continued to decrease in each of the last 4 years from \$120,045 in 2011 to an operating loss of \$(6,177) in 2014. This deficit was primarily due to operating expenses outpacing revenues over several fiscal periods. The City currently has unrestricted net assets available to cover the deficit; however, the City typically plans on recouping the deficits in future periods through charges for services or user or rental fees.

Recommendation: We recommend the City continue to monitor its overall financial position, and take certain steps to restore sound financial health and stability to the City. The City should adopt appropriate charges for services and user fees to alleviate current deficits. To be most effective, the revenue rate increases should be combined with cost-cutting measures.

Auditee Response: We have developed financial reports that allow for constant monitoring of our financial condition and budget. We have also identified areas where we need to enhance revenues where possible. Examples include plans to increase revenues to cover the costs for waste collection and to ensure compliance with loan covenants with respect to pledged revenues. Additionally, the city is evaluating options for fire protection that gives the city greater options to effectively manage millage rates.

INDEPENDENT ACCOUNTANTS' REPORT

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

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

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

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

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

BMC CPAs

May 5, 2015

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