

RESTORE DIRECT COMPONENT

***PROPOSER / SUBRECIPIENT
QUESTIONNAIRE***

RESTORE Direct Component Proposer / Subrecipient Questionnaire

Okaloosa County may at times, decide to engage the services of another entity to assist the county in carrying out projects under its federal or state financial assistance award. The County can do so by entering into a subrecipient or contractor (vendor) relationship. This document is intended to assist a Program Manager that is contemplating entering into a subaward agreement to pass-through federal or state financial assistance funds to a subrecipient. It describes the pre-award risk assessment that a Program Manager must conduct with respect to a subrecipient pursuant to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 C.F.R. Part 200 (the Uniform Guidance) prior to entering into a subaward agreement. Based on the results of the pre-award risk assessment, the Program Manager will enter into a subaward agreement that implements appropriate oversight and monitoring mechanisms to ensure that the subrecipient uses the funds for authorized purposes and in compliance with all applicable laws.

Subrecipient vs. Contractor Determination

Because different rules govern the process by which the County selects a subrecipient or contractor and the level of oversight the Program Manager is required to perform, it is important to determine whether the party receiving the County's federal or state funds is a subrecipient or a contractor. The County must evaluate each agreement on a case-by-case basis, and the Uniform Guidance provides a list of factors that describe each relationship. The substance of the relationship, however, is determinative, and the County should use judgment in classifying each agreement as a subaward or procurement contract, as not all characteristics listed below will be present in every relationship.

A **subrecipient** is an entity that receives a subaward from a pass-through entity to carry out part of a federal or state program (but does not include an individual who is a beneficiary of the program). Factors suggesting that the entity is a **subrecipient** include:

- the entity determines who is eligible to receive what federal or state assistance;
- the entity's performance is measured in relation to whether objectives of a federal or state program were met;
- the entity has responsibility for programmatic decision making;
- the entity is responsible for adherence to applicable federal and state program requirements specified in the federal or state award; and
- in accordance with its agreement, the entity uses the federal or state funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.¹

An example of a subrecipient: (i) an entity that provides supervised visitation of children in a safe environment; and (ii) a housing assistance program that provides financial assistance for qualified applicants. **If the County determines the entity to be a subrecipient, the County must conduct the pre-award risk assessment described in this tool prior to entering into a subaward agreement with the subrecipient.**

¹ 2 C.F.R. §200.330(a), F.S. 215.97

A **contractor**, on the other hand, is an entity that is defined as a dealer, distributor, merchant or other seller providing goods or services that is required to carry out a project or program under a federal award.

Factors suggesting that an entity is a **contractor** for goods or services include:

- the entity provides the goods and services within normal business operations;
- the entity provides similar goods or services to many different purchasers;
- the entity normally operates in a competitive environment;
- the entity provides goods or services that are ancillary to the operation of the federal or state program; and
- the entity is not subject to compliance requirements of the federal or state program as a result of the agreement, though similar requirements may apply for other reasons.²

Common examples of contractors are entities or individuals providing design and maintenance services for a county's website or engineering design services. **If the County determines the entity to be a contractor, the County must follow its procurement procedures and policy to select the contractor.**

Pre-Award Risk Assessment

To determine whether to make a subaward and the appropriate level of monitoring to undertake if an award is made, the Program Manager must first evaluate each subrecipient's risk of noncompliance with federal and/or state statutes, regulations, and the terms and conditions of the subaward.³ In doing so, the Program Manager will need to consider factors such as: (i) the subrecipient's prior experience with the same or similar subawards; (ii) the results of previous audits; (iii) whether the subrecipient has new personnel or new or substantially changed systems; and (iv) if the subrecipient receives direct federal or state awards, the extent and results of the federal or state awarding agency's monitoring process.⁴

A pre-award risk assessment questionnaire based on the requirements of the Uniform Guidance, 2 C.F.R. § 200.331, is provided in ***Exhibit A***. **All potential subrecipients must complete this questionnaire prior to entering into a subaward agreement.** This document will be maintained as part of the Subrecipient Monitoring file.

Based upon the results of the pre-award risk assessment, Program Managers should consider imposing specific subaward conditions upon a subrecipient, as appropriate.⁵

² 2 C.F.R. §200.330(b), F.S. 215.97

³ 2 C.F.R. §200.331(b).

⁴ 2 C.F.R. §200.331(b).

⁵ 2 C.F.R. §200.331(c).

These additional subaward conditions may include items such as the following:⁶

1. Requiring payments as reimbursements rather than advance payments;
2. Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;
3. Requiring additional, more detailed financial reports;
4. Requiring additional project monitoring;
5. Requiring the non-Federal entity to obtain technical or management assistance; or
6. Establishing additional prior approvals.

If the Program Manager imposes additional subaward conditions, it must notify the subrecipient as to:⁷

- The nature of the additional requirements;
- The reason why the additional requirements are being imposed;
- The nature of the action needed to remove the additional requirement, if applicable;
- The time allowed for completing the actions if applicable, and
- The method for requesting reconsideration of the additional requirements imposed.

Any specific conditions must be promptly removed once the conditions that prompted them have been corrected.⁸

Monitoring a Subrecipient

At a minimum, all Program Managers subawarding federal or state financial assistance funds are required to conduct the following monitoring activities during their relationship with their subrecipients: (i) review financial and performance reports required under the subaward agreement; (ii) verify that an audit or other on-site review is being performed pursuant to the Uniform Guidance and that the subrecipient receives a Single Audit if expects to expend \$750,000 or more in federal awards during its fiscal year; or if state financial assistance in accordance with Florida Single Audit Act if expects to expend \$500,000 or more (iii) follow up to ensure that the subrecipient takes appropriate action on any audit findings and deficiencies; and (iv) issue a management decision on audit findings relating to the federal or state funds awarded to the subrecipient.⁹ Depending on the results of the initial risk assessment, Program Managers may also need to provide subrecipients with on-site training and technical assistance on program-related matters, perform on-site reviews of the subrecipient's program operations or arrange for agreed-upon procedures to monitor the subrecipient.¹⁰

Terms and Conditions of the Subaward Agreement

As the recipient of the federal or state award, the County is solely responsible to the federal or state awarding agency for the execution of the award. The recipient is also required in accordance with 2 CFR §200.331 to include certain data elements as part of all subaward agreements.

⁶ 2 C.F.R. §200.207(b).

⁷ 2 C.F.R. §200.207(c).

⁸ 2 C.F.R. §200.207(d).

⁹ 2 C.F.R. §200.331; 31 U.S.C. §7501 et seq., F.S. 215.97

¹⁰ 2 C.F.R. §200.331(e), F.S. 215.97

Under the Uniform Guidance or F.S. 215.97, the County is required to monitor the activities of their subrecipients to ensure that subawards are used for authorized purposes and in compliance with applicable federal or state law and the terms and conditions of the subawards.¹¹

¹¹ 2 C.F.R. §200.331(d), F.S. 215.97

Exhibit A
Internal Controls Questionnaire

How to Use: This questionnaire is used to help determine a potential subrecipient's or entity's financial and management strength, which helps assess risk and dictates the monitoring plan for subrecipients. **This questionnaire must be completed prior to entering into a subaward agreement.** The County may follow up with the potential subrecipient/entity regarding the responses to this questionnaire.

Entity Contact Information

Full Legal Organization/Business Name: City of Laurel Hill
Address: 8209 Hwy 85 N, Laurel Hill, FL 32567
Telephone number: (850) 652-4441
Name of person completing this form: Nita Miller
E-mail address: clhclerk@fairpoint.net
Website: N/A
Incorporated in: 1954 Incorporation Date: _____
Number of employees: 5
DUNS number: 0395641661
EIN (Employer Federal ID Number): 59-1522139
Fiscal Year End (Month/Year): 09/2018

Entity Type of Organization (select one):

Government Nonprofit Corporation Other

Entity Personnel Contact Information

Program Manager/Director for Subaward

Name: Robby Adams
Title: Mayor
Telephone Number: (850) 398-1895
E-mail Address: radams@hwy.com

Additional Contact for Subaward	
Name:	<u>Nita Miller</u>
Title:	<u>City Clerk</u>
Telephone Number:	<u>(850) 652-4441</u>
E-mail Address:	<u>clhclerk@fairpoint.net</u>
GENERAL ASSESSMENT	

1. Is this grant large in terms of percentage of overall funds for the entity?

Yes No

2. Is the entity new to operating or managing state and/or federal funds (has not done so within the past five years)?

Yes No

3. Is this program new for the entity (managed for less than three years)?

Yes No

4. In the last 12 months, has the entity hired new senior management personnel (e.g., Executive Director/CEO, Finance Director/CFO) and/or program personnel who would be working on this proposed subaward? If yes, please explain.

Yes No If yes, explain

5. Are the staff assigned to the program inexperienced with the program (worked with the program for less than two funding cycles)?

Yes No

6. Is the program unusually complex (e.g. programmatic, funding, matching requirements)?

Yes No

7. Does the entity have effective procedures and controls?

Yes No

8. Has the entity received a subaward from the County in the past two years?

Yes No

LEGAL ASSESSMENT

1. Is the entity currently or previously been debarred or suspended?

Yes No If yes, explain

2. Have any organization staff been jailed, convicted of a felony or are currently under criminal investigation?

Yes No If yes, explain

3. If you anticipate using a subrecipient or contractor, have you determined if they are debarred or suspended?

Yes No

FINANCIAL & INFORMATION SYSTEM ASSESSMENT

1. Does the entity have a financial management system in place to track and record the program expenditures? (Example, Quickbooks, Peachtree or Custom Proprietary System)

Yes No If yes, System name

Quickbooks

2. In the last 12 months, has the entity implemented new or substantially changed systems related to its federal grant management? If yes, explain.

N/A

3. Does the accounting system identify the receipts and expenditures of the program funds separately for each grant award?

Yes No

4. Will the accounting system provide for the recording of expenditures for each grant award by the budget cost categories shown in the approved budget?

Yes No

5. Does the time and accounting system track effort by cost objective? (i.e. time spent on each grant award vs time spent on non-grant activities when combined total 100% of the employees hours worked or effort)

Yes No

6. If charging indirect cost to grant awards does the accounting system track direct costs and indirect costs separately?

Yes No

7. Information systems and accounting systems are in place and designed to meet all federal program requirements, including reporting and record retention requirements?

Yes No

8. Access to data, including Personal Identification Information, is protected against unauthorized access and is limited to appropriate individuals based on job functions.

Yes No

OPERATIONS ASSESSMENT

1. Do policies, procedures and processes for managing federal grant funds meet the requirements of OMB 2 CFR Chapter I and Chapter II, Uniform Administrative Requirements Cost Principles and

Audit Requirements for Federal Awards?

Yes No

2. Are the entity's internal controls in compliance with guidance in "Standards for Internal Controls in the Federal Government" (GAO-14-704G) issued by the U.S. Government Accountability Office (Green Book) and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSCO)?

Yes No

3. Does the entity have a formalized risk assessment process in place specifically for federal grant programs, including standard forms and checklists for program regulatory compliance and monitoring contractor's or subrecipient's performance?

Yes No

4. Is anti-fraud awareness training conducted at least annually that is evidenced by attendance sheets or other mechanisms?

Yes No

5. Are there formal policies and procedures in place for employees to confidentially report suspected violations of policies and or suspected instances of fraud or other criminal activity, including specifically those related to federal grant programs?

Yes No

6. Are breaches of policy and/or instances of fraud or other criminal activity addressed by management including taking steps to prevent future violations? Does the policy include notification to the appropriate federal agency in cases of confirmed fraud related to federal funds?

Yes No

7. Does the entity have a system in place to provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of 2 CFR 200 and with parties that are not debarred or suspended?

Yes No

8. Does the entity have a system in place to provide reasonable assurance that contractors and subcontractors subject to the Davis-Bacon Act requirements are properly notified of the requirement and that the required certified payrolls are submitted to the entity?

Yes No

9. Does the entity have a system in place to provide reasonable assurance that federal award

information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audits are completed when required, any audit findings are resolved, and the impact of any subrecipient noncompliance on the entity is evaluated?

Yes No

10. Does the entity complete criminal and financial background checks on employees?

Yes No

11. Are all bank accounts reconciled monthly?

Yes No

12. Does the entity have a financial management system that provides detail records that can identify the source and application of funds for award-supported activities?

Yes No

13. Are all disbursements properly documented with evidence of receipt of goods or performance of services?

Yes No

14. Does the entity have a process in place to provide reasonable assurance that the (1) drawdown of federal cash is only for immediate need, (2) reimbursement is requested only after costs have been incurred, (3) comply with applicable subaward agreements, and (4) limit payments to subrecipients to immediate cash need?

Yes No

15. Does the entity have an effective system in place to provide reasonable assurance that costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles?

Yes No

16. Does the entity have a system in place to provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements?

Yes No

17. Does the entity have a system in place to determine that it has met its cost sharing, level of effort, or earmarking requirements are met using only allowable funds or costs which are properly calculated and valued?

Yes No

18. Does the entity have a system in place to provide reasonable assurance that federal funds are used only during the authorized period of performance?

Yes No

19. Describe the method used to support labor and benefit charges.

Timesheets, payroll in Quickbooks

20. Does the entity have a system in place to provide reasonable assurance of compliance with the real property acquisition, appraisal, negotiation, and relocation requirements in 42 USC Ch. 61?

Yes No

21. Explain the system that is in place to authorize and approve expenditures and maintain records of capital equipment and real property?

Purchase orders, Invoice, checks done in Quickbooks, Mayor & Councilman sign checks. Records are audited.

22. Does the entity maintain detailed records of individual capital assets and periodically reconcile such records with the general ledger accounts?

Yes No

23. Does the entity have effective procedures for authorizing and accounting for the disposal of property and equipment?

Yes No

24. Does the entity periodically check its detailed property records against physical inventory?

Yes No

25. Does the entity have an indirect cost rate that is approved and current?

Yes No If yes, who approved the rate? |

26. Does the entity have written policies that address the following?

Pay Rates and Benefits	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Time and Attendance	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Leave	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Discrimination	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Conflicts of Interest	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Travel	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Purchasing/Procurement	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Capitalization/Depreciation	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

27. Is the entity required to comply with the Single Audit requirements of the Uniform Guidance (2 C.F.R. Part 200, Subpart F; required if Subrecipient expends \$750,000 or more in federal awards in a fiscal year) or if (State \$500,000 F.S. 215.97)?

Yes No

Audit Contact Name and Title:

Joseph Jones, CPA

28. Has the entity's annual financial statements been audited by an independent audit firm? If yes, provide a copy of the statements for the last two (2) fiscal years.

Yes No

29. If the answers to Questions 27 or 28 is yes, were there any findings or questioned costs in the last

two (2) fiscal years? If yes, please explain any findings or questioned costs with respect to an award or subaward to conduct programs similar to those covered by this proposed subaward agreement.

Yes No If yes, Explain below:

30. Other than financial statements, has any aspect of the entity's activities been subject to an audit, examination, or monitoring within the last two (2) years by a governmental agency (e.g., Inspector General, state or local government auditors, etc.)? If yes, please explain any audit or monitoring findings or deficiencies with respect to an award or subaward to conduct programs similar to those covered by the proposed subaward agreement.

Yes No If yes, Explain below:

31. Attachments: Please attach the following or check N/A if not applicable.

	<u>Document</u>	<u>Attached</u>	<u>N/A</u>
a.	Articles of Incorporation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b.	Bylaws	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c.	IRS Determination Letter (recognizing the entity as exempt from income taxes under IRC Section 501(c)(3))	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d.	Form 990 or 990-EZ from the last two (2) years, including Form 990-T (if applicable) and all supporting schedules and attachments	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e.	Copies of audit reports and management letters received during the last two (2) fiscal years from the entity's independent auditors (including all reports associated with a Single Audit pursuant to 2 C.F.R. Part 200, Subpart F)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

f.	Copies of results from audits, examinations, or monitoring procedures performed during the last two (2) years on any direct federal award received by the entity	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g.	Indirect cost rate agreement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h.	List of all subawards to the entity from the County during the past two (2) years	<input type="checkbox"/>	<input checked="" type="checkbox"/>
i.	List of all subawards to conduct programs similar to those covered under this proposed subaward agreement to the entity from any funder during the past two (2) years	<input type="checkbox"/>	<input checked="" type="checkbox"/>

By its authorized signatory below, I hereby certify and attest to the accuracy of the above responses and all corresponding information attached.

Signature: Nita Miller

Printed Name: Nita Miller

Title: City Clerk

Date: 3/27/2018

(3) receiving the next highest number of votes shall serve for terms of two (2) years. Thereafter, all councilmembers and the mayor shall be elected for four (4) year terms. The terms for councilmembers and mayor shall begin on the first day of April after their election.

C. CHAIRMAN AND VICE-CHAIRMAN OF THE COUNCIL.

The council shall elect from among its members a chairman, and a vice-chairman. Election of the chairman and vice-chairman will be done in April and October at the regular monthly council meeting. The chairman shall preside at the meeting of the council, but shall have no administrative duties, except as required to carry out the responsibilities herein. The vice-chairman shall act as chairman in the absence of the chairman.

1. RESPONSIBILITIES OF THE COUNCIL.

- (a) The Council Chairman shall be responsible for appointing department heads, i.e.; water department, road department, sanitation department, fire department and parks/recreation department.
- (b) While hiring and termination of employees will be accomplished by the Mayor, the Council has the obligation to review all such matters to ensue the interests of the City are safeguarded. The Council has the right to reverse the Mayors decision with sufficient grounds to prove it is in the City's best interest.
- (c) Engage the following personnel as contract employees of the City: Attorney, Engineer, or other personnel not considered normal employees of the City. The Council can accomplish this action during either regular or special meetings as deemed necessary.
- (d) Approve and sign contracts, leases, etc., on the behalf of the City.

D. VACANCIES, FORFEITURE OF OFFICE, FILLING OF VACANCIES.

1. Vacancies. The office of a councilmember upon their death, resignation, permanent disability which precludes fulfillment of their duties, entry into the office of Mayor, or entry into other polictical office outside of the City, or removal from office in any manner authorized by law, shall

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become vacant.

2. Forfeiture of Office. A councilmember shall forfeit their office if they:

- (a) Lack at any time during their term of office any qualification for office prescribed by this charter.
- (b) Violates any state law which requires removal from public office.
- (c) Is recalled by the electors in a lawful election, or by other lawful means contained in the Florida Statutes.

3. Filling of Vacancies. A vacancy on the council shall be filled by a majority vote of the remaining councilmembers, provided the person meets all qualifications for the office. The new member will serve ~~until the next regular election.~~ *The Remaining Term of The Office*

4. Extraordinary Vacancies. In the event that all members of the council are removed by death, disability, or forfeiture of office, the Governor shall appoint an interim council which will immediately call a special election as soon as possible. Such election will be held in accordance with this Charter.

E. PROCEDURES.

*Resolution
2010-03*

Tuesday
~~Thursday~~ 1. Meetings. The council shall meet the first ~~Thursday~~ night of the month at the times voted by the council. Special meetings may be held on the call of the Mayor, or the Chairman of the Council, and upon no less than twenty-four (24) hours notice to each member and the public. Public Hearings will be held in the manner prescribed by law. Emergency meetings may be called without regard for the required notice in cases of actual emergencies, catastrophies, etc.

2. Voting. Voting on ordinances and resolutions shall be by roll call, and shall be reflected in the minutes. A majority of the council shall constitute a quorum for the purpose of any meeting.

ARTICLE 4. - EXECUTIVE.

A. MAYOR.

There shall be a mayor who will be the Chief Executive

Officer of the City. The Mayor shall be responsible to the electorate for the administration of all City affairs for which the Mayor is responsible by or under this Charter.

B. MAYOR: QUALIFICATIONS AND TERM OF OFFICE.

The Mayor will be an elector of the City, and will reside in the City prior to the date on which he/she qualified to run for the office of Mayor. Election procedures are found in this Charter, Article 3, B.

C. MAYOR PRO-TEM.

During the absence, or disability of the Mayor, the council Chairman will perform the duties of the office of the Mayor.

D. VACANCY IN THE OFFICE OF THE MAYOR.

In the event that the Mayor dies, resigns, ceases to be qualified, or is removed from office in a manner provided by law, the Chairman of the Council shall become Mayor with all attendant powers and duties as provided by this Charter, or law.

E. POWER AND DUTIES OF THE MAYOR.

The Mayor shall:

1. Direct and supervise the administration of all departments, offices and agencies of the City.
2. Interview and hire City employees as required. Terminate/lay-off any employee if required, subject to council review.
3. Attend all council meetings, and shall have the right to take part in discussions, submit proposals/ideas, but will not vote.
4. Review and submit the annual budget, budget message, and capital program to the council in the form prescribed by law or ordinance.
5. Ensure a complete report of the finances and administrative activities of the City are submitted to the council, and are made available for public review at the end of each fiscal year.
6. Make other reports the council may require concerning the operations of the City departments, offices and agencies.

7. Work with the council on financial conditions and future needs of the City and make recommendations as needed.

F. MAYOR: VETO POWER.

Any ordinance or resolution adopted by the council will become effective on the date provided therein, unless it is disapproved by the Mayor. If disapproved, the Mayor will return the ordinance or resolution to the council without any signature, indicating the reason(s) for the disapproval, and recommendations for change, and return it to the council at, or prior to the next regular meeting of the council occurring ten (10) days or more after delivery to the Mayor's office for consideration. The council may override the Mayor's disapproval (veto) by a 4/5 majority.

ARTICLE 5. - TRANSITION SCHEDULE.

A. EFFECTIVE DATE.

This Charter will become effective, if approved by a majority of the voters, on April 1, 1999.

B. ORDINANCES PRESERVED.

All ordinances in effect upon the adoption of this Charter, which are not inconsistent with it, or the laws of the State of Florida, shall remain in force until repealed or changed.

C. RIGHTS OF OFFICERS AND EMPLOYEES.

Except as otherwise specifically provided, this Charter shall not affect or impair the rights or privileges of persons who are City officers or employees at the time of its adoption. Elected officers will continue to hold their offices and discharge their duties as prescribed by this Charter, ordinances and Florida Statutes, until their successors are elected, or as long as they are employees of the City.

D. PENDING MATTERS.

All rights, claims, actions, orders, contracts, legal or administrative proceedings involving the City shall continue, except as modified pursuant to the provisions of this Charter.

E. SCHEDULE.

1. First Election. At the time of its adoption, this Charter shall be in effect to the extent necessary for the

election of the members of the council and the office of the Mayor, to be conducted in accordance with the provisions contained herein.

2. Transition Ordinance. The Council shall adopt ordinances and resolutions required to effect the transition to this Charter.

ARTICLE 6.

If any section, or subsection, of this Charter is found to be invalid, or in conflict with the Florida Statutes, or unconstitutional, it shall not invalidate or impair the validity, force, or effect any other section of this Charter, unless said section is dependent upon the section, or subsection which is invalid or unconstitutional.

ARTICLE 7.

This Charter shall take effect only upon its approval by a majority of those qualified electors of the City of Laurel Hill, voting in a referendum to be held by the City of Laurel Hill in accordance with the Florida Statutes for Municipal Elections.

ORDINANCE NO. 221

AN ORDINANCE TO BE ENTITLED

AN ORDINANCE OF THE CITY OF LAUREL HILL, FLORIDA ADOPTING AND APPROVING A PROPOSED NEW CITY CHARTER FOR THE CITY OF LAUREL HILL, FLORIDA; PROVIDING FOR THE SUBMITTING OF THE PROPOSED NEW CHARTER TO THE ELECTORS OF THE CITY FOR THEIR APPROVAL; PROVIDING THE FORM IN WHICH THE QUESTION WILL APPEAR ON THE REFERENDUM IN WHICH THE ELECTORS OF THE CITY SHALL VOTE UPON ADOPTION OF SUCH PROPOSED NEW CHARTER ON MARCH 9, 1999; PROVIDING THAT SAID PROPOSED NEW CHARTER SHALL NOT TAKE EFFECT UNLESS APPROVED BY A MAJORITY OF THE ELECTORS VOTING IN SUCH REFERENDUM; PROVIDING THAT ALL ORDINANCES IN CONFLICT HERewith ARE HEREBY REPEALED TO THE EXTENT OF SUCH CONFLICT; PROVIDING FOR THE SEVERABILITY OF THIS ORDINANCE AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of Laurel Hill, Florida, feels that the present Charter of the City needs to be changed to provide for more effective and efficient city government; and

WHEREAS, a proposed new City Charter has been prepared by the Council; and

WHEREAS, pursuant to Florida Statutes Section 166.031, the proposed new Charter must be adopted and approved by the electors of the City in a referendum before it becomes effective.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LAUREL HILL, FLORIDA:

SECTION I. The proposed new City Charter for Laurel Hill, Florida, which is attached hereto as Exhibit "A" and made a part hereof by reference, is hereby adopted and approved by the City Council and shall be submitted to a vote of the electors of the City of Laurel Hill, Florida, for their approval at a referendum to be held March 9, 1999. All qualified electors of the City shall be entitled to vote for or against adoption of the proposed new Charter in such referendum.

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approved

SECTION II. The ballot for the referendum on the proposed new Charter shall be in the following form:

REFERENDUM

NEW CHARTER FOR CITY OF LAUREL HILL, FLORIDA

PROVIDING FOR THE PRESENT MUNICIPALITY KNOWN AS THE CITY OF LAUREL HILL; ITS CONTINUANCE UNDER CORPORATE NAME OF CITY OF LAUREL HILL; THE EXERCISE OF GOVERNMENTAL, CORPORATE AND PROPRIETARY POWERS; THE RE-ESTABLISHMENT OF CORPORATE LIMITS OF THE MUNICIPALITY AS THOSE PRESENTLY EXISTING; THE CITY COUNCIL AS GOVERNING BODY; A MAYOR AS CHIEF EXECUTIVE OF THE CITY; QUALIFICATIONS, ELECTION, AND TERMS OF COUNCIL MEMBERS AND MAYOR; A TRANSITIONAL OPERATION FOR CITY GOVERNMENT, AND AN EFFECTIVE DATE.

YES for approval

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NO for rejection

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SECTION III. Pursuant to Florida Statute Section 166.031, if the proposed new Charter is approved and adopted by a majority of the electors voting in such referendum, the governing body of the City shall file the new Charter with the Department of State and upon such filing the new Charter shall take effect. If the proposed new Charter is not approved and adopted by a majority of the electors voting in such referendum, then it shall not become effective and the City of Laurel Hill shall continue to operate under the present City Charter until such time as it is amended or changed as provided by law.

SECTION IV. All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

SECTION V. If any word, phrase, sentence, paragraph or provision of this Ordinance or the application thereof to any person or circumstance is held invalid or unconstitutional, such finding shall not affect the other provisions or applications of this Ordinance which can be given effect without the invalid or unconstitutional provision or application, and to this end the provisions of this Ordinance are declared severable.

SECTION VI. This Ordinance shall take effect immediately upon its adoption.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE
CITY OF LAUREL HILL, FLORIDA, ON THE 4th DAY OF March 1999.

Perry P. Cadenhead
COUNCIL CHAIRMAN

ATTEST:

Jessie M. McGowan
CITY CLERK

APPROVED BY ME THIS 4th
DAY OF March: 1999.

Michael A. Blyskal
MAYOR

ROLL CALL:

CADENHEAD	<u>AYE</u>
GILMORE	<u>AYE</u>
MCGOWAN	<u>AYE</u>
SMITH	<u>ABSENT</u>
JOWERS	<u>AYE</u>

"ATTACHMENT "A"

STATE OF FLORIDA)
)
COUNTY OF OKALOOSA)

MUNICIPAL CHARTER
OF THE
CITY OF LAUREL HILL, FLORIDA

ARTICLE 1. - GENERAL POWERS, RIGHTS, PRIVILEGES AND IMMUNITIES.

The City of Laurel Hill shall have and exercise all of the powers, rights, and privileges, as well as all of the immunities of cities incorporated under the general laws of this state.

ARTICLE 2. - CORPORATE LIMITS.

The following area shall constitute the corporate limits of the City of Laurel Hill:

See Attachment "A" attached hereto
and by reference made a part hereof.

ARTICLE 3. - LEGISLATIVE.

A. CITY COUNCIL: POWERS AND COMPOSITION.

There shall be a City Council with all legislative powers of the City vested therein consisting of five (5) members who shall be electors of the City, elected by the electors of the City.

B. ELECTION AND TERMS.

All City Councilmembers will be elected at large. The regular election of the City Councilmembers shall be held on the second Tuesday of March, of each odd year, for staggered four (4) year terms, in the manner provided by law. At the first election under this charter, five (5) councilmembers shall be elected; the two (2) candidates receiving the greatest number of votes, and the Mayor, shall serve for terms of four (4) years, and the three

become vacant.

2. Forfeiture of Office. A councilmember shall forfeit their office if they:

- (a) Lack at any time during their term of office any qualification for office prescribed by this charter.
- (b) Violates any state law which requires removal from public office.
- (c) Is recalled by the electors in a lawful election, or by other lawful means contained in the Florida Statutes.

3. Filling of Vacancies. A vacancy on the council shall be filled by a majority vote of the remaining councilmembers, provided the person meets all qualifications for the office. The new member will serve until the next regular election.

4. Extraordinary Vacancies. In the event that all members of the council are removed by death, disability, or forfeiture of office, the Governor shall appoint an interim council which will immediately call a special election as soon as possible. Such election will be held in accordance with this Charter.

E. PROCEDURES.

1. Meetings. The council shall meet the first Thursday night of the month at the times voted by the council. Special meetings may be held on the call of the Mayor, or the Chairman of the Council, and upon no less than twenty-four (24) hours notice to each member and the public. Public Hearings will be held in the manner prescribed by law. Emergency meetings may be called without regard for the required notice in cases of actual emergencies, catastrophies, etc.

2. Voting. Voting on ordinances and resolutions shall be by roll call, and shall be reflected in the minutes. A majority of the council shall constitute a quorum for the purpose of any meeting.

ARTICLE 4. - EXECUTIVE.

A. MAYOR.

There shall be a mayor who will be the Chief Executive

7. Work with the council on financial conditions and future needs of the City and make recommendations as needed.

F. MAYOR: VETO POWER.

Any ordinance or resolution adopted by the council will become effective on the date provided therein, unless it is disapproved by the Mayor. If disapproved, the Mayor will return the ordinance or resolution to the council without any signature, indicating the reason(s) for the disapproval, and recommendations for change, and return it to the council at, or prior to the next regular meeting of the council occurring ten (10) days or more after delivery to the Mayor's office for consideration. The council may override the Mayor's disapproval (veto) by a 4/5 majority.

ARTICLE 5. - TRANSITION SCHEDULE.

A. EFFECTIVE DATE.

This Charter will become effective, if approved by a majority of the voters, on April 1, 1999.

B. ORDINANCES PRESERVED.

All ordinances in effect upon the adoption of this Charter, which are not inconsistent with it, or the laws of the State of Florida, shall remain in force until repealed or changed.

C. RIGHTS OF OFFICERS AND EMPLOYEES.

Except as otherwise specifically provided, this Charter shall not affect or impair the rights or privileges of persons who are City officers or employees at the time of its adoption. Elected officers will continue to hold their offices and discharge their duties as prescribed by this Charter, ordinances and Florida Statutes, until their successors are elected, or as long as they are employees of the City.

D. PENDING MATTERS.

All rights, claims, actions, orders, contracts, legal or administrative proceedings involving the City shall continue, except as modified pursuant to the provisions of this Charter.

E. SCHEDULE.

1. First Election. At the time of its adoption, this Charter shall be in effect to the extent necessary for the

ATTACHMENT "A"

**SECTION 3, T-5-N-, R-22-W, and
SECTION 34, T-6-N, R-22-W**

The NW 1/4 of the SW 1/4 of the NW 1/4 and the South 1/2 of the SW 1/4 of the NW 1/4 and the NW 1/4 of the SW 1/4 of Section 3.

And

Begin at the SE corner of the NW 1/4 of the NE 1/4, Section 3, thence West 600 feet; thence North 1500 feet; thence East 1200 feet; thence South 1500 feet; thence West 600 feet to the Point of Beginning.

And

All land in the West 1600 feet of Section 3, lying within 600 feet of the center of State Road 85.

SECTION 33, T-6-N, R-22-W

All land in Section 33, lying within 600 feet of the center line of State Road 85 and South of State Road 85

SECTION 4, T-5-N, R-22-W

The West 1/2 of Section 4.

And

The NE 1/4 of the SE 1/4 and the South 1/2 of the SE 1/4

SECTION 31, T-6-N, R-22-W

The NE 1/4 of N/E 1/4 of Section 31, and beginning at the NE corner of the SE 1/4 of NE 1/4 of Section 31, thence West 990 feet, thence South to a point 600 feet North of the North right of way line of State Road 85-A, thence Westerly parallel with the said North right of way line 770 feet, thence South to a point 600 feet South of the South right of way line of said State Road 85-A, thence Easterly parallel with the said South right of way line of State Road 85-a, to the East line of Section 31, thence North to the point of beginning.

SECTION 32, T-6-N, R-22-W

The South 1/2 of the South 1/2 of Section 32.

And

Commence at the SW corner, of the NE 1/4, of the SW 1/4 of Section 32, for the point of beginning, thence East 1920 feet, thence North 1530 feet, thence West 600 feet, thence South 60 feet, thence West 810 feet, thence North 510 feet, thence West 510 feet, thence South 230 feet, thence West 210 feet, thence North 210 feet, thence West 210 feet, thence North 20 feet, thence West 60 feet, thence North 180 feet, thence West 420 feet, thence South 420 feet, thence West 210 feet, thence North 420 feet, thence East 16 feet, thence North 480 feet, thence West 226 feet, thence South 1650 feet, thence East 660 feet, thence South 300 feet, thence East 660 feet, thence South 690 feet, to the point of beginning.

.....

Amends ORDINANCE 221

See Resolution 2010-03

ORDINANCE 307

AN ORDINANCE OF THE CITY OF LAUREL HILL PROVIDING THE BALLOT LANGUAGE FOR QUESTION TO BE SUBMITTED TO A VOTE OF THE CITY ELECTORATE THAT WILL AMEND THE CITY CHARTER REGARDING TERM OF APPOINTED COUNCIL MEMBERS AND MAYOR WHO FILL A VACANCY AND AMEND THE COUNCIL'S MEETING REQUIREMENT TO ONCE PER MONTH, AND SETTING AN EFFECTIVE DATE.

NOW THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LAUREL HILL, FLORIDA:

Section 1. Authority & Intent

a. Pursuant to section 166.031 of the Florida Statutes, the City may by ordinance submit to the electors of the City a proposed amendment to the Charter at a general election held within the municipality or at a special election called for such purpose.

b. Section D, Vacancies, Forfeiture of Office, Filling of Vacancies, of Article 3, Legislative, of the City Charter currently states:

1. Vacancies. The office of a councilmember upon their death, resignation, permanent disability which precludes fulfillment of their duties, entry into the office of Mayor, or entry into other political office outside of the City, or removal from office in any manner authorized by law shall become vacant.

2. Forfeiture of Office. A councilmember shall forfeit their office if they:

- (a) Lack at any time during their term of office any qualification for office prescribed by this charter.
- (b) Violates any state law which requires removal from public office.
- (c) Is recalled by the electors in a lawful election or by other lawful means contained in the Florida Statutes.

3. Filling of Vacancies. A vacancy on the council shall be filled by a majority vote of the remaining councilmembers, provided the person meets all qualifications for the office. The new member will serve until the next regular election.

4. Extraordinary Vacancies. In the event that all members of the council are removed by death, disability, or forfeiture of office, the Governor shall appoint an interim council which will immediately call a special election as soon as possible. Such election will be held in accordance with this Charter.

c. Section D, Vacancy in the Office of the Mayor, Article 4, Executive, of the City Charter currently states:

In the event that the Mayor dies, resigns, ceases to be qualified, or is removed from office in a manner provided by law, the Chairman of the Council shall become Mayor with all attendant powers and duties as provided by this Charter, or law.

d. The provisions in section 3, of Article D of the Charter which provides that a "new member will serve until the next regular election" has created situations where more than three members of the Council are being elected during the same election in contravention to section B, Article 3, of the Charter. When appointees are elected, confusion is created because Councilmembers do not have designated seats. Therefore, which newly elected member will fill the remainder of a past term and which newly elected member will serve a full 4 year term cannot be determined.

Likewise, the provisions regarding replacement of the Mayor do not clearly state that the Mayor will serve the remainder of the former Mayor's office or only until the next regular election.

e. Therefore, the City Council has determined that it is necessary to amend the Charter to provide that a new member who is appointed after the death, resignation, permanent disability which precludes fulfillment of duties, entry into the office of Mayor, or entry into other political office outside of the City, or removal from office of a councilmember, shall serve the remaining term of the prior councilmember for whose office the appointment is made.

f. Section E.(1), Procedures, of Article 3, Legislative, of the City Charter currently states:

1. Meetings. The council shall meet the second Thursday, and the fourth Thursday of the month at times voted by the council. Special meetings may be held on the call of the Mayor, or the Chairman of the Council, and upon no less than twenty-four (24) hours notice to each member and the public. Public Hearings will be held in the manner prescribed by law. Emergency meetings may be called without regard for the required notice in cases of actual emergencies, catastrophes, etc.

g. The City's original charter required the Council to meet once per month. The Charter was changed in 2007 to require two meetings per month. Since that change, the City has experienced a decline in tax revenue and a significant decrease in development activities and the overall need for conducting two Council meetings per month. Conducting Council meetings increases the costs of personnel and expenses for the City. The Council hereby finds that it is in the best interests of the citizens that the Charter requires only one meeting per month and that other meetings can be called as needed.

Section 2. Ballot Language to Amend Section D, Vacancies, Forfeiture of Office, Filling of Vacancies, of Article 3, Legislative, of the City Charter

The City Council hereby submits the following proposed amendment to the electors of the City of Laurel Hill. The ballot title and question that shall appear on the ballot for vote on the Charter amendment shall be:

CITY OF LAUREL HILL

AMENDMENT TO THE CITY CHARTER TO CLARIFY THE TERM OF OFFICE OF APPOINTED COUNCILMEMBERS AND MAYOR AND REQUIRE ONLY ONE MEETING OF THE CITY COUNCIL EACH MONTH.

Do you approve amending the Charter to clarify the term of office for councilmembers and mayor who are appointed to an office after the death, resignation, permanent disability, entry into another political office, or removal of a member or mayor, to provide that the appointed member or mayor will serve the remaining term of the office rather than until the next election and to require only one monthly meeting of the city council?

Yes for approval

No for rejection

Section 3. Proposed Amendment

The proposed amendment to the City Charter is attached as Exhibit A.

Section 4. Effective Date of Amendment

Pursuant to Section 166.031 of the Florida Statutes, if the proposed new Charter is approved and adopted by a majority of the electors voting in the referendum, the governing body of the City shall file the new Charter with the Department of State and upon such filing the new Charter shall take effect. If the proposed new Charter is not approved and adopted by a majority of the electors voting in such referendum, then it shall not become effective and the City of Laurel Hill shall continue to operate under the present City Charter until such time as it is amended or changed as provided by law.

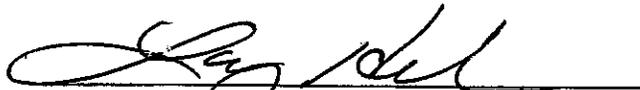
Section 5. Effective Date of Ordinance

This ordinance shall take effect immediately upon its adoption and signature by the Mayor.

Adopted:

1st Reading: June 10, 2010

2nd Reading: July 15, 2010


Larry Hendren, Chairman

RESOLUTION 2010-06

**A RESOLUTION OF THE CITY OF LAUREL HILL THE AUTHORITY
TO SET MEETING DATES BY RESOLUTION. I**

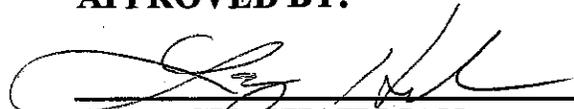
WHEREAS, a referendum was held on November 2, 2010 and a majority of the eligible voters within the City Limits of the City of Laurel Hill, Florida voted to allow the City Council to change meeting schedules to one meeting per month; and

WHEREAS, the City Council voted at a regular meeting on November 18, 2010 to accept the will of the people; and

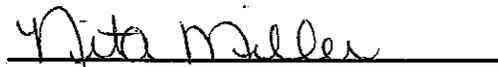
NOW, THEREFORE BE IT RESOLVED that the Council and Mayor of the City of Laurel Hill can set the monthly meeting on the first Tuesday of the month beginning January 1, 2011 that allows participation by the citizens with the least amount of interference with normal activities of life.

ADOPTED THIS 9TH DAY OF DECEMBER, 2010

APPROVED BY:



COUNCIL CHAIRMAN



CITY CLERK

CITY OF LAUREL HILL, FLORIDA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2016

JOSEPH A. JONES
Certified Public Accountant
Crestview, Florida
June 23, 2017

CITY OF LAUREL HILL, FLORIDA
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 FISCAL YEAR END SEPTEMBER 30, 2016

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JOSEPH A JONES
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council, City of Laurel Hill, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Laurel Hill, Florida as of, and for the year ended, September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Laurel Hill'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 judgement, 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, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Laurel Hill, Florida, as of September 30, 2016, and changes in financial position for the year ended in accordance with accounting principles general accepted in the United States of America.

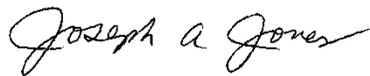
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. I 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 my inquiries, the basis financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated June 23, 2017 on my consideration of the City of Laurel Hill's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Laurel Hill's internal control over financial reporting and compliance.



Joseph A. Jones, CPA
Crestview, Florida
June 23, 2017

CITY OF LAUREL HILL, FLORIDA
Management Discussion and Analysis
(Unaudited)

This discussion and analysis of the City of Laurel Hill's financial statements is designed to introduce the basic financial statements and provide an analytical overview of the city's financial activities for the fiscal year ended September 30, 2016. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, proprietary fund financial statements, and footnotes.

City Highlights

Fiscal year 2016: At the close of fiscal year 2016, the city had \$699,185 of cash in banks. The city's assets exceeded its liabilities by \$2,672,741. General Fund revenues were \$825,907 compared to the prior year \$268,606 (a \$557,301 increase). General Fund revenues included a \$559,373 grant from Florida Department of Economic Opportunity for road resurfacing. General Fund expenses increased \$21,060 compared with the prior year, with \$9,270 being increased street repairs. Water revenues increased \$20,970, and \$11,700 of the increase was an insurance claim.

Government-wide Financial Statements

Government-wide financial statements (statement of net position and statement of activities) are intended to assess the city's operational accountability. Operational accountability is defined as the extent to which the city government has met its operating objectives efficiently and effectively, using all resources available for the purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the city as a whole and do not emphasize fund types.

The Statement of Net Position presents information on all city assets and liabilities, with the difference between the two reported as net position. The city's capital assets (property, plant, and equipment) are included in this statement and are reported net of their accumulated depreciation.

The Statement of Activities presents revenue and expense information showing how the city's net assets changed during the fiscal year. Both statements are measured and reported using the economic resources measurements focus (revenue and expense) and accrual basis of accounting (revenues recognized when earned and expense recognized when a liability is incurred).

Governmental Fund Financial Statements

The general fund is the sole governmental fund of the city. All of the city's basic services are reported in the general fund, and the focus is on how money flows into and out of this fund and the balance left at year end that is available for spending. This fund is reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The general fund's statements provide a detailed short-term view of the city's general government operations and basic services it provides. This information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs.

Proprietary Fund Financial Statements

When the city charges customers for services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The city's proprietary fund (the Water Fund) is the same as the business-type activities reported in the government-wide statements but provides more detail and additional information such as cash flows.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The government-wide financial statements were designed so that the user could determine if the city is in better or worse financial condition from year to year.

The following is a condensed summary of net position at September 30, 2016:

SUMMARY OF NET ASSETS September 30:

	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets:						
Current & Other	\$ 357,308	\$ 338,525	\$ 361,439	\$ 332,370	\$ 718,747	\$ 670,896
Capital Assets	<u>1,505,623</u>	<u>971,256</u>	<u>844,859</u>	<u>880,342</u>	<u>2,350,483</u>	<u>1,851,598</u>
Total Assets	1,862,932	1,309,781	1,206,298	1,212,713	3,069,230	2,522,494
Liabilities:						
Current	7,603	34,415	42,686	37,751	50,289	72,166
Non-Current	<u>-</u>	<u>8,766</u>	<u>346,200</u>	<u>360,400</u>	<u>346,200</u>	<u>369,166</u>
Total Liabilities	7,603	43,181	388,886	398,151	396,489	441,332
Net Assets:						
Invested in Capital						
Assets, Net of						
Related Debt	1,855,328	1,266,601	674,101	690,412	2,529,429	1,957,013
Restricted	-	-	143,312	124,149	143,312	124,149
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>1,855,328</u>	<u>1,266,601</u>	<u>817,413</u>	<u>814,561</u>	<u>2,672,741</u>	<u>2,081,162</u>
Total Liabilities						
and Net Assets	<u>\$ 1,862,932</u>	<u>\$ 1,309,781</u>	<u>\$ 1,206,298</u>	<u>\$ 1,212,713</u>	<u>\$ 3,069,230</u>	<u>\$ 2,522,494</u>

Fiscal year 2016: The city's financial condition improved as cash balances increased and debt was paid down. Current assets increased \$47,852, and debt decreased \$44,843. The city has cash of \$699,185, consisting of unrestricted cash of \$452,935 (\$254,135 in General Fund and \$198,799 in Water Fund), and restricted cash of \$246,251 (\$102,939 in General Fund and \$143,312 in Water Fund). The unrestricted cash represents amounts that are available for spending at the city's discretion, such as paying down debt, equipment purchases, or street paving. Restricted Water Fund cash balances include impact fees, water customer deposits, and debt service reserve funds. Restricted General funds include Fuel tax funds, and Evaluation and Appraisal Report (EAR) funds.

The following schedule reports the revenues, expenses, and changes in net assets for the City, for fiscal year ending September 30, 2016 and September 30, 2015:

Summary of Revenues, Expenses and Changes in Net Assets
As of September 30:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<u>Revenues:</u>						
Program Revenues:						
Charges for Services			\$ 275,191	\$ 255,262	\$ 275,191	\$ 255,262
Operating Grants and Contributions	-	-			-	-
Capital Grants and Contributions	559,373	5,000			559,373	5,000
General Revenues:						
Ad Valorem Taxes	51,696	52,297			51,696	52,297
Other Taxes	46,461	47,344			46,461	47,344
Intergovernmental	139,705	139,164			139,705	139,164
Fines & Forfeitures	879	1,548			879	1,548
Interest Income	2,367	704	1,900	858	4,267	1,561
Interfund Transfers		-		-	-	-
Miscellaneous	<u>25,425</u>	<u>22,549</u>	<u>-</u>	<u>-</u>	<u>25,425</u>	<u>22,549</u>
Total Revenues	<u>825,907</u>	<u>268,606</u>	<u>277,090</u>	<u>256,120</u>	<u>1,102,997</u>	<u>524,726</u>
<u>Expenses:</u>						
General Government	169,704	159,592	-	-	169,704	159,592
Public Safety	7,896	3,674	-	-	7,896	3,674
Streets	58,650	49,379	-	-	58,650	49,379
Culture and Recreation	-	934	-	-	-	934
Interest on long term debt	929	2,539	-	-	929	2,539
Interfund Transfers		-		-	-	-
Water	<u>-</u>	<u>-</u>	<u>274,239</u>	<u>297,451</u>	<u>274,239</u>	<u>297,451</u>
Total Expenses	<u>237,179</u>	<u>216,119</u>	<u>274,239</u>	<u>297,451</u>	<u>511,418</u>	<u>513,570</u>
<u>Net Assets:</u>						
Increase (Decrease) in Net Assets	588,728	52,487	2,851	(41,332)	591,579	11,156
Net Assets October 1	<u>1,266,600</u>	<u>1,214,113</u>	<u>814,561</u>	<u>855,893</u>	<u>2,081,061</u>	<u>2,070,006</u>
Net Assets September 30	<u>\$ 1,855,328</u>	<u>\$ 1,266,600</u>	<u>\$ 817,413</u>	<u>\$ 814,561</u>	<u>\$ 2,672,741</u>	<u>\$ 2,081,162</u>

Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable assets include buildings, improvements, equipment, furniture and vehicles. The following is a schedule of the City's capital assets as of September 30, 2016 and September 30, 2015:

	Capital Assets As of September 30:					
	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<u>CAPITAL ASSETS:</u>						
Land	\$ 69,897	\$ 69,897	\$ 4,700	\$ 4,700	\$ 74,597	\$ 74,597
Total Capital Assets not being depreciated	<u>69,897</u>	<u>69,897</u>	<u>4,700</u>	<u>4,700</u>	<u>74,597</u>	<u>74,597</u>
Buildings	994,954	962,994	-	-	994,954	962,994
Improvements other than buildings	50,593	50,593	2,056,407	2,014,695	2,107,000	2,065,288
Machinery and Equipment	382,271	382,271	110,121	110,121	492,392	492,392
Infrastructure	<u>901,195</u>	<u>343,132</u>	<u>-</u>	<u>-</u>	<u>901,195</u>	<u>343,132</u>
Total Capital Assets being depreciated	<u>2,329,013</u>	<u>1,738,990</u>	<u>2,166,528</u>	<u>2,124,816</u>	<u>4,495,541</u>	<u>3,863,806</u>
Total Cost of Capital Assets	2,398,910	1,808,887	2,171,228	2,129,516	4,570,138	3,938,403
<u>LESS ACCUMULATED DEPRECIATION</u>						
Buildings	(313,336)	(292,563)	-	-	(313,336)	(292,563)
Improvements other than buildings	(33,242)	(29,501)	(1,216,248)	(1,146,963)	(1,249,490)	(1,176,464)
Machinery and Equipment	(299,186)	(278,832)	(110,121)	(102,211)	(409,307)	(381,043)
Infrastructure	<u>(247,522)</u>	<u>(236,736)</u>	<u>-</u>	<u>-</u>	<u>(247,522)</u>	<u>(236,736)</u>
Total Accumulated Depreciation	<u>(893,287)</u>	<u>(837,632)</u>	<u>(1,326,369)</u>	<u>(1,249,174)</u>	<u>(2,219,656)</u>	<u>(2,086,806)</u>
<u>CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</u>	<u>\$ 1,505,623</u>	<u>\$ 971,255</u>	<u>\$ 844,859</u>	<u>\$ 880,342</u>	<u>\$ 2,350,483</u>	<u>\$ 1,851,597</u>

Debt Administration

Fiscal year 2016:

At fiscal year ending 2016 the city had outstanding water revenue bonds payable to U.S. Department of Agriculture (USDA) totaling \$360,400 (with interest at 5.25%) after paying \$14,200 of principal. At year end the loan payable to First NBC Bank (now Hancock Bank) had a zero balance after the city paid \$34,855 of principal to pay off the loan. The principal of these two debts was paid down \$49,055 from the previous year.

Contacting the City's Financial Management

This report has been created to provide our citizens, taxpayers, customers and creditors a general overview for all those with an interest in the city's finances. If you have questions about this report, or need additional financial information, contact the City Clerk's office at 8209 Highway 85 North, Laurel Hill, Florida 32567.

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF NET POSITION
September 30, 2016

	2016 Governmental Activities	2016 Business-Type Activities	2016 Total Activities
Assets			
Current assets:			
Cash Unrestricted	\$ 254,135	\$ 198,799	\$ 452,935
Receivables, net	234	19,328	19,562
Due from other funds	-		-
Restricted assets:			-
Cash	102,939	143,312	246,251
Total Current Assets	<u>357,308</u>	<u>361,439</u>	<u>718,747</u>
Noncurrent assets:			
Capital assets, net of depreciation:			
Land	69,897	4,700	74,597
Buildings and improvements	681,618		681,618
Improvements other than buildings	17,351	840,159	857,510
Machinery and equipment	83,085	-	83,085
Infrastructure	653,673		653,673
Total capital assets, net	<u>1,505,623</u>	<u>844,859</u>	<u>2,350,483</u>
Total noncurrent assets	<u>1,505,623</u>	<u>844,859</u>	<u>2,350,483</u>
Total Assets	<u>\$ 1,862,932</u>	<u>\$ 1,206,298</u>	<u>\$ 3,069,230</u>

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
September 30, 2016

	2016 Governmental <u>Activities</u>	2016 Business-Type <u>Activities</u>	2016 Total <u>Activities</u>
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 7,603	\$ 3,717	\$ 11,321
			-
Liabilities payable from restricted assets			-
Current portion of revenue bonds		14,200	14,200
Customer Deposits		23,265	23,265
Accrued interest		1,503	1,503
Due to other funds			-
Total Current Liabilities	7,603	42,686	50,289
Noncurrent liabilities:			
Notes payable			-
Revenue bonds payable		346,200	346,200
Total noncurrent liabilities	-	346,200	346,200
TOTAL LIABILITIES	7,603	388,886	396,489
Net Position			
Investment in capital assets, net of related debt	1,505,623	674,101	2,179,724
Restricted for CDBG	150		150
Restricted for EAR	20,179		20,179
Restricted Fuel Tax	81,035		81,035
Restricted for revenue bond retirement		67,733	67,733
Restricted for impact fees	1,575	45,139	46,714
Restricted for customer deposits		30,440	30,440
Unrestricted	246,766		246,766
TOTAL NET POSITION	\$ 1,855,328	\$ 817,413	\$ 2,672,741
TOTAL LIABILITIES & NET POSITION	\$ 1,862,932	\$ 1,206,298	\$ 3,069,230

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

CITY OF LAUREL HILL, FLORIDA
 STATEMENT OF ACTIVITIES
 September 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Revenues:</u>			<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Misc</u>	<u>Operating Grants & Contributions</u>	
<u>2016</u>					
<u>General government activities:</u>					
General government	\$ 169,704				\$ (169,704)
Public safety	7,896				(7,896)
Streets	58,650				(58,650)
Culture and Recreation	-				-
Interest on long term debt	929				(929)
Total governmental activities	237,179	-	-	-	(237,179)
<u>2016</u>					
<u>Business-type activities:</u>					
Capital Grants					-
Water Expenses	274,239	275,191	1,900	-	2,851
Total business-type activities	274,239	275,191	1,900	-	2,851
Total	\$ 511,418	\$ 275,191	\$ 1,900	\$ -	\$ (234,327)

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF ACTIVITIES (CONTINUED)
September 30, 2016

Changes in Net Assets:	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) revenue	<u>\$ (237,179)</u>	<u>\$ 2,851</u>	<u>\$ (234,327)</u>
 <u>General revenues:</u>			
Advalorem Taxes	\$ 51,696		51,696
Alcoholic License tax	624		624
Communication Tax	5,927		5,927
Electric franchise & Utility Taxes	44,676		44,676
Fire Public Safety Fac Fee	775		775
Insurance Claims & Refunds	2,286		2,286
Interest earnings	2,367		2,367
Local Gov 1/2 cent tax	48,251		48,251
Local Option Fuel Tax	38,658		38,658
Mobile Home Licenses	1,059		1,059
Occupational & Bus Tax	1,010		1,010
Rents (Elite)	19,900		19,900
State Mowing Contract	11,325		11,325
State Revenue Sharing	33,862		33,862
Traffic Court Fines	879		879
CDBG Grant	559,373		559,373
Miscellaneous	<u>3,239</u>		<u>3,239</u>
Total general revenues	<u>\$ 825,907</u>	<u>\$ -</u>	<u>\$ 825,907</u>
 Changes in net Position:	 588,728	 2,851	 591,579
Net Position - beginning	<u>1,266,600</u>	<u>814,561</u>	<u>2,081,162</u>
Net Position - ending	<u>\$ 1,855,328</u>	<u>\$ 817,413</u>	<u>\$ 2,672,741</u>

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

CITY OF LAUREL HILL, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUND
September 30, 2016

	<u>General Fund</u>
ASSETS:	
Cash, restricted	\$ 102,939
Cash, Unrestricted	254,135
Accounts Receivable, net	<u>234</u>
TOTAL ASSETS	<u><u>357,308</u></u>
LIABILITIES AND FUND BALANCE:	
Liabilities:	
Accounts Payable	-
Payroll Taxes Payable	7,603
Current portion of Loan Payable	<u>-</u>
Total liabilities	7,603
Fund balance:	
Restricted	254,135
UnAssigned	<u>95,569</u>
Total fund balance	<u><u>349,705</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 357,308</u></u>

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION:

Fund balance - governmental fund	\$ 349,705
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets in governmental activities are not reported on this statement	1,505,623
Long term liabilities are not reported on this statement	<u>-</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES PER STATEMENT OF NET POSITION	<u><u>\$ 1,855,328</u></u>

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET POSITION - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2016

	<u>General Fund</u>
<u>REVENUES:</u>	
Advalorem Taxes	\$ 51,696
Alcoholic License tax	624
Communication Tax	5,927
Electric franchise & Utility Taxes	44,676
Fire Public Safety Fac Fee	775
Insurance Claims & Refunds	2,286
Interest earnings	2,367
Local Gov 1/2 cent tax	48,251
Local Option Fuel Tax	38,658
Mobile Home Licenses	1,059
Occupational & Bus Tax	1,010
Rents (Elite)	19,900
State Mowing Contract	11,325
State Revenue Sharing	33,862
Traffic Court Fines	879
CDBG Grant	559,373
Miscellaneous	3,239
Total Revenues	<u>825,907</u>
<u>EXPENDITURES:</u>	
General Government (excludes Depreciation)	114,049
Public Safety	7,896
Streets	58,650
Culture and Recreation	-
Capital Outlay	590,023
Debt Service: Principal	34,855
Debt Service: Interest	929
Total Expenditures	<u>806,401</u>
Excess (deficiency) of revenues (under) expenditures	19,506
Net Position at beginning of year	<u>304,110</u>
NET POSITION AT END OF YEAR	<u><u>\$ 323,615</u></u>

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

CITY OF LAUREL HILL, FLORIDA
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
 STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2016

Net change in fund balance - governmental fund \$ 19,506

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

Governmental fund reports capital outlay as
 expenditures while governmental activities reports
 depreciation expense to allocate those expenditures
 over the life of the assets.

Plus Capital assets purchases capitalized 590,023

Minus Depreciation expense (55,655)

Subtotal 534,368

Repayment of debt principal is an expenditure in the
 governmental fund, but the repayment reduces long-
 term liabilities in the Statement of Net Position:

Note principal payments 34,855

CHANGE IN NET POSITION OF THE
 STATEMENT OF ACTIVITIES \$ 588,728

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

CITY OF LAUREL HILL, FLORIDA
GENERAL FUND STATEMENT OF REVENUES, AND EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended September 30, 2016

	Budgeted Amounts	Actual Amounts
<u>REVENUES:</u>		
Advalorem Taxes	\$ 52,900	\$ 51,696
Alcoholic License tax	600	624
Communication Tax	7,000	5,927
Electric franchise & Utility Taxes	42,000	44,676
Fire Public Safety Fac Fee	100	775
Insurance Claims & Refunds	1,200	2,286
Interest earnings	250	2,367
Local Gov 1/2 cent tax	40,000	48,251
Local Option Fuel Tax	35,000	38,658
Mobile Home Licenses	1,000	1,059
Occupational & Bus Tax	800	1,010
Rents (Elite)	19,900	19,900
State Mowing Contract	11,324	11,325
State Revenue Sharing	33,500	33,862
Traffic Court Fines	800	879
CDBG Grant	-	559,373
Fuel Tax account Transfer	80,500	
Unreserved Funds Transfer	144,500	-
Miscellaneous	-	3,239
Total Revenues	471,374	825,907
<u>EXPENDITURES:</u>		
General Governmental Services	120,188	114,049
Public Safety	11,000	7,896
Streets	274,750	58,650
Culture and Recreation	2,000	-
Capital Outlay (Paving & Re-Roof)	25,000	590,023
Debt Service:		
Principal	35,400	34,855
Interest	-	929
Un-Reserved Funds	3,036	-
Total Expenditures	471,374	806,401
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 19,506

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

CITY OF LAUREL HILL, FLORIDA
BALANCE SHEET - PROPRIETARY FUND
September 30, 2016

Business-type Activities - Enterprise Funds - Water Fund

	<u>2016</u>
ASSETS:	
Current Assets:	
Cash, Unrestricted	\$ 198,799
Accounts Receivable	19,328
Restricted Assets:	
Cash, Customer Deposits	30,440
Cash, Impact Fees	45,139
Cash, Sinking and reserve funds	67,733
Total restricted assets	<u>143,312</u>
Total current assets	<u>361,439</u>
Noncurrent Assets:	
Capital assets:	
Land	4,700
Improvements other than buildings	2,056,407
Machinery and equipment	110,121
Less accumulated depreciation	<u>(1,326,369)</u>
Total capital assets (net of accumulated depreciation)	<u>844,859</u>
Total noncurrent assets	<u>844,859</u>
 TOTAL ASSETS	 <u><u>\$ 1,206,298</u></u>
LIABILITIES AND NET POSITION:	
Liabilities:	
Accounts payable	\$ 3,717
Revenue bonds payable (current portion)	14,200
Accrued Interest	1,503
Customer Deposits	23,265
Total current liabilities	<u>\$ 42,686</u>
Noncurrent liabilities	
Revenue bonds payable (noncurrent portion)	<u>346,200</u>
Total noncurrent liabilities	<u>346,200</u>
TOTAL LIABILITIES	<u>388,886</u>
Net Position:	
Invested in capital assets, net of related debt	674,101
Restricted for revenue bond retirement	67,733
Restricted for impact fees	45,139
Restricted for customer deposits	30,440
Unrestricted	<u>817,413</u>
TOTAL NET POSITION	<u>817,413</u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 1,206,298</u></u>

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
For the Year Ended September 30, 2016

Business-type Activities - Enterprise Funds - Water Fund

	<u>2016</u>
Operating revenues:	
Charges for services	\$ 263,491
Operating expenses:	
Personal services	98,755
Materials and supplies	15,990
Repairs and maintenance	36,104
Utilities	15,404
Other operating expenses	11,238
Depreciation and amortization	<u>77,195</u>
Total operating expenses	<u>254,685</u>
OPERATING INCOME (LOSS)	8,805
Non-operating revenues (expenses)	
Insurance Claim	11,700
Interest income	1,900
Interest expense	(19,554)
Transfers to the General Fund	
Total Non-operating revenues (expenses)	<u>(5,954)</u>
INCOME (LOSS) AND CHANGE IN NET POSITION	2,851
Net Position at beginning of year	<u>814,561</u>
NET POSITION AT END OF YEAR	<u><u>\$ 817,413</u></u>

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

CITY OF LAUREL HILL, FLORIDA
 PROPRIETARY FUND: STATEMENT OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2016

Business-type Activities - Enterprise Funds - Water Fund

	<u>Budget</u>	<u>Actual</u>
<u>Operating revenues:</u>		
Charges for services	\$ 209,000	\$ 263,491
<u>Operating expenses:</u>		
Personal services	92,725	98,755
Materials and supplies	12,800	15,990
Repairs and maintenance	34,000	36,104
Utilities	17,300	15,404
Other operating expenses	17,500	11,238
Depreciation and amortization	-	77,195
Total operating expenses	<u>174,325</u>	<u>254,685</u>
OPERATING INCOME (LOSS)	34,675	8,805
<u>Non-operating revenues (expenses)</u>		
Interest income	500	1,900
Interest expense	(34,000)	(19,554)
Unreserved Funds	(1,175)	
Total non-operating revenues (expenses)	<u>(34,675)</u>	<u>(5,954)</u>
INCOME (LOSS)	<u>\$ -</u>	<u>\$ 2,851</u>

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2016

Business-type Activities - Enterprise Funds - Water Fund

	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 263,491
Less:	
Payments to suppliers	(15,990)
Payments to employees and contractors	(124,292)
Payments for Utilities	(15,404)
Payments for Other operating expenses	(11,238)
Net cash provided by operating activities	<u>96,567</u>
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES	
Acquisition of capital assets	(41,712)
Principal paid on capital debt	(14,200)
Interest paid on capital debt	(19,554)
Net cash provided (used) by capital and related financing activities	<u>(75,466)</u>
CASH FLOWS FROM INVESTING & NON-OPERATING ACTIVITIES	
Interest received	1,900
Insurance Claim	<u>11,700</u>
Net cash provided by investing & non-operating activities	<u>13,600</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,701
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>307,410</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 342,111</u></u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF :	
Unrestricted cash	198,799
Restricted cash	<u>143,312</u>
Total	<u><u>\$ 342,111</u></u>

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

CITY OF LAUREL HILL, FLORIDA
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
 For the Year Ended September 30, 2016

Business-type Activities - Enterprise Funds - Water Fund

	<u>2016</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,851
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	77,195
Interest paid	19,667
Change in assets and liabilities:	
Receivables Increase	1,650
Accounts Payable Decrease	(6,012)
Accrued Interest decrease	(113)
Customer Deposits increase	<u>1,330</u>
Net cash provided by operating activities	<u><u>\$ 96,567</u></u>

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

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Laurel Hill was created by an act of Legislature of the State of Florida on June 3, 1953. The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies used by the city are discussed below:

The City's financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the city's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all city activities.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. No potential component units were identified.

BASIC FINANCIAL STATEMENTS: GOVERNMENTAL –WIDE STATEMENTS

The city's basic financial statements include both government-wide (reporting the city as a whole) and fund financial statements (reporting the city's general and proprietary funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The city's fire protection, parks and recreation, street, and general administration services are classified as governmental activities.

In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis, and are reported in full accrual, economic resource measurement basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The city's net position is reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The city first uses restricted resources to finance qualifying activities. The government-wide Statement of Position reports as restricted net assets those resources that are restricted by legislation.

The government-wide Statement of Activities reports both gross and net cost of each of the city's functions and business-type activities: general government, fire, etc. The functions are also supported by general government revenues (Ad valorem Taxes, State Revenue Sharing, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and capital grants. Program revenues must be directly associated with the function or business-type activity. The capital grants reflect capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (Electric Franchise or Utility taxes, Communication Services taxes, etc.). The city does not allocate indirect costs. This government-wide focus is more on the sustainability of the city as an entity and the change in the city's net assets resulting from current year activities.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIC FINANCIAL STATEMENTS:

Fund Financial Statements:

Government Funds are used to account for the general government activities. Governmental fund types use the flow of current financial measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The city considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Ad valorem taxes, reimbursements for incidents 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 period. All other revenue items are considered to be measurable and available only when cash is received by the city. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. The financial transactions of the city are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that includes assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The focus of the governmental funds’ measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income.

General Fund: The general fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds are used to account for the enterprise activities such as selling water or garbage utility services to customers. The focus of proprietary funds is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to private sector business. Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses result from providing and delivering services in connection with the principal ongoing operation of the fund. Operating expenses include all costs associated with providing these services, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Contributions to capital arise from contributions of resources restricted to capital acquisition and construction. The **Water Fund** is the proprietary fund of the city, and is used to account for user charges and expenses associated with providing water services and garbage collection services.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. The city determined that all funds met the criteria of a major fund.

Fund Balances

The following is a description of the city's various fund balance accounts:

Non-spendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted fund balance includes amounts restricted by creditor, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation.

Committed fund balance can be used only for specific purposes as imposed by formal action of the city council. There are no committed funds at the end of this fiscal year.

Assigned fund balance includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by the city council. There are no assigned funds as of the end of this fiscal year.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

Restricted – This component of net position consists of constraints placed on net positions imposed by creditors (such as through debt covenants), reserve for repayment of water bonds, contributors, customer water deposits, impact fees, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Restricted resources are only used for their specific designation and with approval from the city council. Committed and Assigned funds are used for their specific designation. If the city does not have sufficient funds allocated to committed or assigned funds to cover the full cost of expenditures, then unassigned funds would be used to cover the remaining portion of the expense. In the event that expenditures exceed available restricted funds, then expenditures will be funded out of restricted funds to the extent of the restricted fund balance, and the remainder will be funded by the unrestricted fund balance. The city considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in unrestricted fund balance classification could be used.

BASIS OF ACCOUNTING

Basis of accounting refers to the point that revenues and expenditures/expenses are recognized in the accounts and reported in financial statements. It relates to the timing of measurements made regardless of the measurement focus applied.

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS

For fiscal year ending September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, and when they are measurable and available. Measurable means the amount the transaction is known, or can reasonably be estimated. Available means collectible within the current period or with 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, as under accrual accounting. The exception to this general rule is that principal and interest on general obligations long-term debt, are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Cash, Deposits, and Investments

The city is authorized to invest in financial instruments as established in Section 218.415, Florida Statutes. The city maintains deposits with “Qualified Public Depositories” as defined in Chapter 280 Florida Statutes. The city has an investment policy that places the highest priority on the safety of principal and liquidity of funds. Funds in excess of amounts needed to meet current expenses are invested in money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation. Investments in money market funds are reported at fair value.

Interest Rate Risk

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The city minimizes interest rate risk by structuring investments to mature to meet future operating cash requirements and investing primarily in short-term security such as money market accounts.

Concentration of Credit Risk

As mentioned above, the city limits investments to money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that the city will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The city has no formal policy for custodial risk.

Inter-fund Transfers

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These transactions are classified as “Inter-fund Transfers” in the financial statements, and are listed as revenues, expenditures, or reimbursements. Inter-fund transactions that

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reimbursements to a fund for expenditures/expenses initially made from it, and that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expense in the fund being reimbursed. The payroll costs for all funds are paid out of the General Fund, and the Water Fund transfers funds to the General Fund to pay for Water Fund payroll costs.

Investment in capital assets – This component of net position consists of capital assets, included restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as unspent proceeds.

Capital assets, which include property and equipment are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the city as assets with an initial/individual cost of more than \$1,000. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated asset are recorded at estimated fair market value at the date of donation. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Building and improvements	30 to 50 years
Improvements other than buildings	7 to 50 years
Machinery and equipment	5 to 20 years
Infrastructure	30 years

Governmental Accounting Standards Board (GASB) statement number 34 requires the city to report and depreciate new infrastructure assets. Infrastructure assets include road, drainage systems, water systems, etc.

Long Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Ad Valorem Tax Revenue

The Okaloosa County Property Tax Calendar Significant dates relative to ad valorem tax revenue are as follows:

- Assessment date, Lien date – January 1
- Levy date – November 1
- Due Date – November 1
- Maximum Discount – November 30
- Past Due or Delinquent date – April 1
- Tax Certificates Sold – June 1

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and and Budgetary accounting

The city adopted a formal budget for the fiscal year. A Budgetary Comparison Schedule is included in the financial statements.

Estimates

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

NOTE B – DEPOSITS AND INVESTMENTS

The city has a written policy for deposits or investing surplus funds. Regarding the investment of surplus funds, the Florida State Statutes were followed. There are several restricted funds. Impact funds are restricted for water line extensions. Water Reserve funds are restricted for repayment of the U.S. Department of Agriculture (USDA) Water Revenue bonds payable. Fuel Tax funds are restricted for road and street repairs. Community Development Block Grant (CDBG) funds are restricted for road resurfacing. Evaluation and Appraisal Report (EAR) are restricted for funding the EAR study. Water customer deposits funds are restricted for payment of unpaid water bills.

NOTE C – BUDGETARY ACCOUNTING AND LEGAL COMPLIANCE

Budgetary data reflected in the financial statements are established by the following city procedure: During the month of June, the city clerk submits the city's proposed expenditures and requested appropriations to the City Council for consideration.

Proposed budgets are advertised by a newspaper of general circulation and public hearings are conducted during September for the purpose of hearing requests and complaints from the public. In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget. The final budget is adopted by resolution. Any subsequent amendment must be enacted in the same manner as the original budget.

Expenditures may not exceed budgeted appropriations at the fund level. The city clerk is authorized to transfer budgeted amounts within departments of a fund. Any revision that alters the total expenditures of any fund or department must be approved by the City Council.

The General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Accrual presents comparisons of legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposed of developing data on a budgetary basis often differ from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

CITY OF LAUREL HILL, FLORIDA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For fiscal year ending September 30, 2016

NOTE C – CASH

Cash at end of fiscal year consists of the following:

<u>General Fund Cash:</u>	<u>Total Cash</u>	<u>Restricted</u>	<u>Un-Restricted</u>
Operating	\$ 254,135	\$ -	\$ 254,135
CDBG funds	150	150	-
Fire Impact	1,575	1,575	-
EAR funds	20,179	20,179	-
Fuel Tax	81,035	81,035	-
General Fund Cash totals	<u>\$ 357,074</u>	<u>\$ 102,939</u>	<u>\$ 254,135</u>
<u>Water Fund Cash:</u>			
Operating	\$ 158,357	\$ -	\$ 158,357
Customer Deposits	30,440	30,440	-
Impact Funds	45,139	45,139	-
Reserve for USDA loan	108,175	67,733	40,442
Water Fund Cash totals	<u>\$ 342,111</u>	<u>\$ 143,312</u>	<u>\$ 198,799</u>
<u>Total Cash: General Fund & Water fund</u>	<u>\$ 699,185</u>	<u>\$ 246,251</u>	<u>\$ 452,935</u>

NOTE D – CAPITAL ASSETS

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>	
Infrastructure	\$ 10,786
Buildings	20,773
Improvements	3,741
Machinery & Equipment	<u>20,354</u>
Total Depreciation Expense – Governmental Activities	\$ 55,655
<u>Business Type Activities:</u>	
Water Equipment	\$ 7,910
Water Improvements	<u>69,285</u>
Total Depreciation Expense – Business Activities	\$ 77,195

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30,2016

NOTE D - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year was a follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<u>Governmental activities (General Fund)</u>				
Capital assets, not being depreciated:				
Land	\$ 69,897	\$ -	\$ -	\$ 69,897
Total Capital Assets not being depreciated	69,897	-	-	69,897
Capital Assets, being depreciated:				
Buildings	962,994	31,960		994,954
Improvements other than buildings	50,593			50,593
Machinery and Equipment	382,271			382,271
Infrastructure	<u>343,132</u>	<u>558,063</u>		<u>901,195</u>
Total Capital Assets being depreciated	<u>1,738,990</u>	<u>590,023</u>		<u>2,329,013</u>
Total Cost of Capital Assets	1,808,887	590,023	-	2,398,910
Less accumulated depreciation for:				
Buildings	(292,563)	(20,773)		(313,336)
Improvements other than buildings	(29,501)	(3,741)		(33,242)
Machinery and Equipment	(278,832)	(20,354)		(299,186)
Infrastructure	<u>(236,736)</u>	<u>(10,786)</u>		<u>(247,522)</u>
Total Accumulated Depreciation	<u>(837,632)</u>	<u>(55,655)</u>	-	<u>(893,287)</u>
Total capital assets, being depreciated, net	<u>901,358</u>	<u>534,368</u>	-	<u>1,435,726</u>
Governmental activities capital assets, net	<u>\$ 971,255</u>	<u>\$ 534,368</u>	<u>\$ -</u>	<u>\$1,505,623</u>

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2016

NOTE D - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<u>Business-type activities (Water Fund)</u>				
Capital assets, not being depreciated:				
Land	\$ 4,700	\$ -	\$ -	\$ 4,700
Total Capital Assets not being depreciated	4,700	-	-	4,700
Capital Assets, being depreciated:				
Buildings	-			-
Improvements other than buildings	2,014,695	41,712		2,056,407
Machinery and Equipment	<u>110,121</u>			<u>110,121</u>
Total Capital Assets being depreciated	<u>2,124,816</u>	<u>41,712</u>		<u>2,166,528</u>
Total Cost of Capital Assets	2,129,516	41,712	-	2,171,228
Less accumulated depreciation for:				
Improvements other than buildings	(1,146,963)	(69,285)		(1,216,248)
Machinery and Equipment	<u>(102,211)</u>	<u>(7,910)</u>		<u>(110,121)</u>
Total Accumulated Depreciation	<u>(1,249,174)</u>	<u>(77,195)</u>	-	<u>(1,326,369)</u>
Total capital assets, being depreciated, net	<u>875,642</u>	<u>(35,483)</u>	-	<u>840,159</u>
Business-type activities capital assets, net	<u>\$ 880,342</u>	<u>\$ (35,483)</u>	<u>\$ -</u>	<u>\$ 844,859</u>

CITY OF LAUREL HILL, FLORIDA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For fiscal year ending September 30, 2016

NOTE F – LONG TERM DEBT

The Governmental activities General Fund paid off the First NBC Bank loan during the fiscal year, and the General Fund no longer has any long term debt

Revenues of the City’s water system are pledged as collateral on the 5.25% U.S. Department of Agriculture (USDA) Water Revenue Bonds. There are a number of other limitations and restrictions, pertaining to sinking fund and reserve cash requirements, insurance, user fees, etc. contained in various debt instruments. The city is in compliance with all significant limitations and restrictions.

The following is a summary of long-term debt transactions for the year ended September 30, 2016

	Balance			Balance	Due within	Long Term
	<u>Oct. 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Sep. 30, 2016</u>	<u>one year</u>	<u>portion</u>
<u>Governmental Activities:</u>						
Note payable First National	\$ 34,854.63		\$ 34,854.63	\$ -	\$ -	\$ -
<u>Business Type Activities:</u>						
Revenue Bonds, Series 1993	\$ 374,600.00		\$ 14,200.00	\$ 360,400.00	\$ 14,200.00	\$ 346,200.00
<u>Total - All Funds</u>	\$ 409,454.63		\$ 49,054.63	\$ 360,400.00	\$ 14,200.00	\$ 346,200.00

NOTE F - GRANT REVENUE

Governmental Activities:

A \$600,000 Community Development Block Grant (CDBG) was awarded for road resurfacing. This source of the grant is the U.S. Department of Housing and Urban Development, and was sub-granted to the Florida Department of Economic Opportunity (DEO) Small Cities Community Development Block Grant (CDBG) Program. The grant contract number is 15DB-OJ-01-56-02-N09. The Catalog of Federal Domestic Assistance (CFDA) number is 14.228. The engineering contract was awarded to Preble-Rish, and the road Resurfacing contract was awarded to C. W. Roberts. The legal advertising was done by Halifax media. The road resurfacing has been completed and the grant funds have been been expended for legal advertising, engineering, and road resurfacing. The following lists the grant funds received, and spent, by fiscal year:

	<u>FY2015</u>	<u>FY2016</u>	<u>Totals</u>
Grant funds received	\$ 5,000	\$ 559,373	\$ 564,373
Grant funds expended	6,369	558,063	564,432
Grant funds received minus expended	<u>\$ (1,369)</u>	<u>\$ 1,311</u>	<u>\$ (59)</u>

Business Type Activities:

No grant income was received for the Water Fund.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

For fiscal year ending September 30, 2016

NOTE H – RISK MANAGEMENT

The city of Laurel Hill, Florida is exposed to various risks of loss related to tort, theft, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The city purchases insurance through commercial carriers and participates in the Florida Municipal Insurance Trust, and the Florida Municipal Self-Insurers Fund, which is a public entity risk pool. The city maintains minimal insurance deductibles for insurance policies from its carriers. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the past two years.

NOTE I – MISCELLANEOUS REVENUES

The Statement of Activities lists Miscellaneous Revenue of \$3,239 for the General Fund. This consists of \$2,700 sod sold from the industrial park, \$514 water sold to U.S. Department of Agriculture, and \$25 for backhoe work.

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 23, 2017, the date these financial statements were available to be issued, and no event was deemed to warrant recognition or disclosure.

**JOSEPH A JONES
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**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 Council
City of Laurel Hill, Florida

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Laurel Hill, Florida, as of and for the year ended September 30, 2016, which collectively comprise the City of Laurel Hill's basic financial statements and have issued my report thereon dated June 23, 2017. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Laurel Hill's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Laurel Hill's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Laurel Hill's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

Internal Control Over Financial Reporting (Continued)

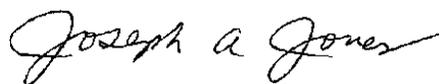
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City’s internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Laurel Hill’s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Any other matters pertaining to immaterial instances of noncompliance have been reported to management of the City in a separate letter dated June 23, 2017.

This report is intended solely for the information and use of management, the City Council of the City of Laurel Hill, Florida, the State of Florida, and the office of the Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.



Joseph A. Jones, CPA
Crestview, Florida
June 23, 2017

JOSEPH A JONES
CERTIFIED PUBLIC ACCOUNTANT

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MANAGEMENT LETTER

The Honorable Mayor and Members of the City Council
City of Laurel Hill, Florida

Report on the Financial Statements

I have audited the financial statements of the City of Laurel Hill, Florida as of and for the year ended September 30, 2016, and I have issued my report thereon dated June 23, 2017.

Auditor's Responsibility

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports and Schedule

I have issued my 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 Standard* dated June 23, 2017. Disclosures in that report, if any, 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 I 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 findings and recommendation made in the preceding annual financial audit report.

There was one finding in FY2014, and that was 2014-1. Finding 2014-1 is repeated in Finding 2015-01. There were 2 findings in FY2015: Finding 2015-01 and Finding 2015-02. The City of Laurel Hill corrected all of the above-mentioned findings in FY2016.

Finding 2014-01: In connection with my audit of FY2014, I determined that during the last quarter of the fiscal year 2014, the following bank accounts were not reconciled to the books: Water Operating, and Water Customer Deposits.

Status of Finding 2014-01: The City has made corrections in FY2016 and they are now performing detailed bank reconciliations of the Water Fund bank accounts as well as the General Fund bank accounts. Finding 2014-01 is now closed.

Finding 2015-1 (Finding 2015-1 is a repeat finding for Finding 2014-1): Perform monthly bank reconciliations: During the audit of FY2015, I determined that during the last quarter of the fiscal year, the following bank accounts were not reconciled to the books: Water Operating, and Water Customer Deposits. When performing the monthly bank reconciliation, the bank statement balance, minus un-cleared items, did not agree with the balance per books. The un-cleared items were printed as a total, and detailed listings of the un-cleared items were not printed in most cases.

Status of Finding 2015-01: The City has made corrections in FY2016 and they are now performing detailed bank reconciliations of the Water Fund bank accounts as well as the General Fund bank accounts. Finding 2015-01 is now closed.

Finding 2015-2: Reconcile and balance the Accounts Payable balance: During my audit of FY2015, I determined that the Water Fund Accounts Payable balance was not being balanced. The first procedure for accounts payable accounting is to enter a bill by posting a debit to expense and a credit to accounts payable. The second procedure is to pay the bill by posting a debit to accounts payable and a credit to the bank account. After the first and second procedures are completed, the accounts payable should zero out of balance. There were instances where some water fund bills were never entered into (or credited) to accounts payable, but the check payment of the bill was posted to accounts payable as a debit. These posting errors have created a debit out of balance in the water fund accounts payable.

Status of Finding 2015-02: The City has made corrections in FY2016 to ensure that all accounts payable balances are balanced monthly. Finding 2015-02 is now closed.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Laurel Hill is municipality in Okaloosa County, Florida. The City has no component units.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that I apply appropriate procedures and report the results of my determination as to whether or not the City of Laurel Hill 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, I determined that the City of Laurel Hill 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, I applied financial condition assessment procedures. It is management's responsibility to monitor the City of Laurel Hill's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that I apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Laurel Hill for the fiscal year ended September 30, 2016, 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, 2016. In connection with my audit, I determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that I determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with my audit, I determined that the City of Laurel Hill has no component units.

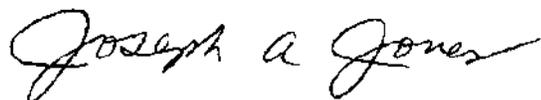
Other Matters

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I 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 my audit, I did not have any such findings.

Purpose of this Letter

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



Joseph A. Jones, CPA
Crestview, Florida
June 23, 2017

CITY OF LAUREL HILL, FLORIDA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2015

**JOSEPH A. JONES
Certified Public Accountant
Crestview, Florida
June 27, 2016**

CITY OF LAUREL HILL, FLORIDA
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 September 30, 2015

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council, City of Laurel Hill, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Laurel Hill, Florida as of, and for the year ended, September 30, 2015, which collectively comprise the City's basic financial statements, and the related notes to the financial statements, which comprise the City of Laurel Hill'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 judgement, 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, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Laurel Hill, Florida, as of September 30, 2015, and changes in financial position for the year ended in accordance with accounting principles general accepted in the United States of America.

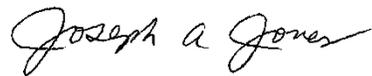
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of American require that the management's discussion and analysis 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. I 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 my inquiries, the basis financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express and opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express and opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated June 27, 2016 on my consideration of the City of Laurel Hill's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Laurel Hill's internal control over financial reporting and compliance.



Joseph A. Jones, CPA
Crestview, Florida
June 27, 2016

CITY OF LAUREL HILL, FLORIDA
Management Discussion and Analysis
(Unaudited)

This discussion and analysis of the City of Laurel Hill's financial statements is designed to introduce the basic financial statements and provide an analytical overview of the city's financial activities for the fiscal year ended September 30, 2015. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, proprietary fund financial statements, and footnotes.

City Highlights

Fiscal year 2015: At the close of fiscal year 2015, the city had \$645,702 of cash in banks, which is an increase of \$81,589 compared to the prior year. The city's assets exceeded its liabilities by \$2,073,880. General Fund revenues were \$268,606 compared to the prior year \$266,763 (a \$1,843 increase). General Fund revenues included a \$5,000 grant from Florida Department of Economic Opportunity for road resurfacing administration expense. General Fund expenses decreased \$30,467 compared with the prior year. Water revenues increased \$12,613.

Government-wide Financial Statements

Government-wide financial statements (statement of net assets and statement of activities) are intended to assess the city's operational accountability. Operational accountability is defined as the extent to which the city government has met its operating objectives efficiently and effectively, using all resources available for the purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the City as a whole and do not emphasize fund types.

The Statement of Net Position presents information on all city assets and liabilities, with the difference between the two reported as net position. The city's capital assets (property, plant, and equipment) are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities presents revenue and expense information showing how the city's net assets changed during the fiscal year. Both statements are measured and reported using the economic resources measurements focus (revenue and expense) and accrual basis of accounting (revenues recognized when earned and expense recognized when a liability is incurred).

Governmental Fund Financial Statements

The general fund is the sole governmental fund of the city. All of the city's basic services are reported in the general fund, and the focus is on how money flows into and out of this fund and the balance left at year end that is available for spending. This fund is reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The general fund's statements provide a detailed short-term view of the city's general government operations and basic services it provides. This information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the city's programs.

Proprietary Fund Financial Statements

When the city charges customers for services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The city's proprietary fund (the Water Fund) is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information such as cash flows.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The government-wide financial statements were designed so that the user could determine if the city is in better or worse financial condition from year to year.

The following is a condensed summary of net position at September 30, 2015 & September 30, 2014:

	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:						
Current & Other	\$ 338,525	\$ 276,347	\$ 325,088	\$ 304,856	\$ 663,613	\$ 581,203
Capital Assets	<u>971,256</u>	<u>1,018,136</u>	<u>880,342</u>	<u>955,378</u>	<u>1,851,598</u>	<u>1,973,514</u>
Total Assets	1,309,781	1,294,483	1,205,430	1,260,234	2,515,212	2,554,717
Liabilities:						
Current	34,415	42,056	37,751	37,024	72,166	79,080
Non-Current	<u>8,766</u>	<u>34,822</u>	<u>360,400</u>	<u>374,600</u>	<u>369,166</u>	<u>409,422</u>
Total Liabilities	43,181	76,878	398,151	411,624	441,332	488,502
Net Assets:						
Invested in Capital						
Assets, Net of						
Related Debt	1,266,601	1,217,605	683,130	718,957	1,949,730	1,936,562
Restricted	-	-	124,149	129,653	124,149	129,653
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>1,266,601</u>	<u>1,217,605</u>	<u>807,279</u>	<u>848,610</u>	<u>2,073,880</u>	<u>2,066,215</u>
Total Liabilities						
and Net Position	<u>\$ 1,309,781</u>	<u>\$ 1,294,483</u>	<u>\$ 1,205,430</u>	<u>\$ 1,260,234</u>	<u>\$ 2,515,212</u>	<u>\$ 2,554,717</u>

Fiscal year 2015: The city’s financial condition improved during fiscal year 2015 as cash balances increased and debt was paid down. During the fiscal year, current assets increased \$82,410, and debt decreased \$47,170. The city has cash of \$645,702, consisting of unrestricted cash of \$424,639 (\$241,378 in General Fund and \$183,261 in Water Fund), and restricted cash of \$221,063 (\$96,914 in General Fund and \$124,149 in Water Fund). The unrestricted cash represents amounts that are available for spending at the city’s discretion, such as paying down debt, equipment purchases, or street paving. Restricted Water Fund cash balances include impact fees, water customer deposits, and debt service reserve funds. Restricted General funds include Fuel tax funds, Evaluation and Appraisal Report (EAR) funds, and Community Development Block Grant (CDBG) funds.

The following schedule reports the revenues, expenses, and changes in net assets for the City, for fiscal year ending September 30, 2015 and September 30, 2014:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Revenues:</u>						
Program Revenues:						
Charges for Services			\$ 255,262	\$ 242,649	\$ 255,262	\$ 242,649
Operating Grants and Contributions	-	-			-	-
Capital Grants and Contributions	5,000			-	5,000	-
General Revenues:						
Ad Valorem Taxes	52,297	53,825			52,297	53,825
Other Taxes	47,344	49,537			47,344	49,537
Intergovernmental	139,164	131,898			139,164	131,898
Fines & Forfeitures	1,548	344			1,548	344
Interest Income	704	244	858	626	1,561	870
Interfund Transfers		11,209		-	-	11,209
Miscellaneous	<u>22,549</u>	<u>19,706</u>	<u>-</u>	<u>-</u>	<u>22,549</u>	<u>19,706</u>
Total Revenues	268,606	266,763	256,120	243,275	524,726	510,038
<u>Expenses:</u>						
General Government	159,592	167,877	-	-	159,592	167,877
Public Safety	3,674	6,502	-	-	3,674	6,502
Streets	49,379	67,209	-	-	49,379	67,209
Culture and Recreation	934	919	-	-	934	919
Interest on long term debt	2,539	4,079	-	-	2,539	4,079
Interfund Transfers		-		11,209	-	11,209
Water	<u>-</u>	<u>-</u>	<u>297,451</u>	<u>266,892</u>	<u>297,451</u>	<u>266,892</u>
Total Expenses	<u>216,119</u>	<u>246,586</u>	<u>297,451</u>	<u>278,101</u>	<u>513,570</u>	<u>524,687</u>
<u>Net Position:</u>						
Increase (Decrease) in Net Position	52,487	20,177	(41,332)	(34,825)	11,156	(14,648)
Net Position October 1	<u>1,214,113</u>	<u>1,193,935</u>	<u>848,610</u>	<u>883,435</u>	<u>2,062,723</u>	<u>2,077,371</u>
Net Position September 30	<u>\$ 1,266,600</u>	<u>\$ 1,214,113</u>	<u>\$ 807,278</u>	<u>\$ 848,610</u>	<u>\$ 2,073,878</u>	<u>\$ 2,062,723</u>

Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable assets include buildings, improvements, equipment, furniture and vehicles. The following is a schedule of the City's capital assets as of September 30, 2015 and September 30, 2014:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>CAPITAL ASSETS:</u>						
Land	\$ 69,897	\$ 69,897	\$ 4,700	\$ 4,700	\$ 74,597	\$ 74,597
Total Capital Assets not being depreciated	<u>69,897</u>	<u>69,897</u>	<u>4,700</u>	<u>4,700</u>	<u>74,597</u>	<u>74,597</u>
Buildings	962,994	962,994	-	-	962,994	962,994
Improvements other than buildings	50,593	50,593	2,014,695	2,014,695	2,065,288	2,065,288
Machinery and Equipment	382,271	382,271	110,121	110,121	492,392	492,392
Infrastructure	<u>343,132</u>	<u>336,763</u>	<u>-</u>	<u>-</u>	<u>343,132</u>	<u>336,763</u>
Total Capital Assets being depreciated	<u>1,738,990</u>	<u>1,732,621</u>	<u>2,124,816</u>	<u>2,124,816</u>	<u>3,863,806</u>	<u>3,857,437</u>
Total Cost of Capital Assets	1,808,887	1,802,518	2,129,516	2,129,516	3,938,403	3,932,034
<u>LESS ACCUMULATED DEPRECIATION</u>						
Buildings	(292,563)	(273,339)	-	-	(292,563)	(273,339)
Improvements other than buildings	(29,501)	(25,760)	(1,146,963)	(1,080,183)	(1,176,464)	(1,105,943)
Machinery and Equipment	(278,832)	(257,645)	(102,211)	(93,955)	(381,043)	(351,600)
Infrastructure	<u>(236,736)</u>	<u>(227,638)</u>	<u>-</u>	<u>-</u>	<u>(236,736)</u>	<u>(227,638)</u>
Total Accumulated Depreciation	<u>(837,632)</u>	<u>(784,382)</u>	<u>(1,249,174)</u>	<u>(1,174,138)</u>	<u>(2,086,806)</u>	<u>(1,958,520)</u>
<u>CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</u>	<u>\$ 971,255</u>	<u>\$ 1,018,136</u>	<u>\$ 880,342</u>	<u>\$ 955,378</u>	<u>\$ 1,851,597</u>	<u>\$ 1,973,514</u>

Debt Administration

Fiscal year 2015:

At fiscal year ending 2015 the city had outstanding water revenue bonds payable to U.S. Department of Agriculture (USDA) totaling \$374,600 (at 5.25% interest) and a First National Bank of Crestview bank loan of \$34,855 (at 4.75% interest). The principal of these two debts was paid down \$46,359 from the previous year.

Contacting the City's Financial Management

This report has been created to provide our citizens, taxpayers, customers and creditors a general overview for all those with an interest in the city's finances. If you have questions about this report, or need additional financial information, contact the City Clerk's office at 8209 Highway 85 North, Laurel Hill, Florida 32567.

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF NET POSITION
September 30, 2015

	2015	2015	2015
	Governmental	Business-Type	Total
Assets	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Current assets:			
Cash Unrestricted	\$ 241,378	\$ 183,261	\$ 424,639
Receivables, net	234	17,678	17,912
Due from other funds	-		-
Restricted assets:			
Cash	96,914	124,149	221,063
Total Current Assets	<hr/> 338,525	<hr/> 325,088	<hr/> 663,613
Noncurrent assets:			
Capital assets, net of depreciation:			
Land	69,897	4,700	74,597
Buildings and improvements	670,431		670,431
Improvements other than buildings	21,092	867,732	888,824
Machinery and equipment	103,439	7,910	111,349
Infrastructure	106,396		106,396
Total capital assets, net	<hr/> 971,255	<hr/> 880,342	<hr/> 1,851,597
Total noncurrent assets	<hr/> 971,255	<hr/> 880,342	<hr/> 1,851,597
Total Assets	<hr/> <hr/> \$ 1,309,781	<hr/> <hr/> \$ 1,205,430	<hr/> <hr/> \$ 2,515,211

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
September 30, 2015

	2015 Governmental <u>Activities</u>	2015 Business-Type <u>Activities</u>	2015 Total <u>Activities</u>
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 8,326		\$ 8,326
Current portion of notes payable	26,089		26,089
Liabilities payable from restricted assets			-
Current portion of revenue bonds		14,200	14,200
Customer Deposits		21,935	21,935
Accrued interest		1,616	1,616
Due to other funds			-
Total Current Liabilities	<u>34,415</u>	<u>37,751</u>	<u>72,166</u>
Noncurrent liabilities:			
Notes payable	8,766		8,766
Revenue bonds payable		360,400	360,400
Total noncurrent liabilities	<u>8,766</u>	<u>360,400</u>	<u>369,166</u>
TOTAL LIABILITIES	43,181	398,151	441,332
 Net Position			
Investment in capital assets, net of related debt	971,255	683,129	1,654,384
Restricted for CDBG	150		150
Restricted for EAR	16,134		16,134
Restricted Fuel Tax	80,630		80,630
Restricted for revenue bond retirement		67,751	67,751
Restricted for impact fees		34,464	34,464
Restricted for customer deposits		21,935	21,935
Unrestricted	198,431		198,431
TOTAL NET POSITION	\$ 1,266,600	\$ 807,278	\$ 2,073,878

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

CITY OF LAUREL HILL, FLORIDA
 STATEMENT OF ACTIVITIES
 September 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Revenues:</u>			<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Misc</u>	<u>Operating Grants & Contributions</u>	
<u>2015</u>					
<u>General government activities:</u>					
General government	\$ 159,592				\$ (159,592)
Public safety	3,674				(3,674)
Streets	49,379				(49,379)
Culture and Recreation	934				(934)
Interest on long term debt	2,539				(2,539)
Total governmental activities	216,119	-	-	-	(216,119)
<u>2015</u>					
<u>Business-type activities:</u>					
Capital Grants					-
Water Expenses	297,451	255,262	858		(41,332)
Total business-type activities	297,451	255,262	858	-	(41,332)
Total	\$ 513,570	\$ 255,262	\$ 858	\$ -	\$ (257,450)

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF ACTIVITIES (CONTINUED)
September 30, 2015

Changes in Net Assets:	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>
Net (expense) revenue	<u>\$ (216,119)</u>	<u>\$ (41,332)</u>	<u>\$ (257,450)</u>
<u>General revenues:</u>			
Advalorem Taxes	\$ 52,297		52,297
Alcoholic License tax	624		624
Communication Tax	7,053		7,053
Electric franchise & Utility Taxes	45,886		45,886
Fire Public Safety Fac Fee	375		375
Insurance Claims & Refunds	2,637		2,637
Interest earnings	704		704
Local Gov 1/2 cent tax	45,124		45,124
Local Option Fuel Tax	37,478		37,478
Mobile Home Licenses	869		869
Occupational & Bus Tax	1,083		1,083
Rents (Elite)	18,900		18,900
State Mowing Contract	14,155		14,155
State Revenue Sharing	33,860		33,860
Traffic Court Fines	1,548		1,548
CDBG Grant	5,000		5,000
Miscellaneous	<u>1,012</u>		<u>1,012</u>
Total general revenues	<u>\$ 268,606</u>	<u>\$ -</u>	<u>\$ 268,606</u>
Changes in net assets:	52,487	(41,332)	11,156
Net Position - beginning	<u>1,214,113</u>	<u>848,610</u>	<u>2,062,722</u>
Net Position - ending	<u>\$ 1,266,600</u>	<u>\$ 807,278</u>	<u>\$ 2,073,878</u>

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

CITY OF LAUREL HILL, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2015

	<u>General Fund</u>
ASSETS:	
Cash, restricted	\$ 96,914
Cash, Unrestricted	241,378
Accounts Receivable, net	<u>234</u>
TOTAL ASSETS	<u><u>338,525</u></u>
LIABILITIES AND FUND BALANCE:	
Liabilities:	
Accounts Payable	65
Payroll Taxes Payable	8,261
Current portion of Loan Payable	<u>26,089</u>
Total liabilities	34,415
Fund balance:	
Restricted	241,378
UnAssigned	<u>62,732</u>
Total fund balance	<u><u>304,110</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 338,525</u></u>

Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position:

Fund balance - governmental fund	\$ 304,110
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets in governmental activities are not reported on this statement	971,255
Long term liabilities are not reported on this statement	<u>(8,766)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,266,600</u></u>

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET POSITION - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2015

	<u>General Fund</u>
<u>REVENUES:</u>	
Advalorem Taxes	\$ 52,297
Alcoholic License tax	624
Communication Tax	7,053
Electric franchise & Utility Taxes	45,886
Fire Public Safety Fac Fee	375
Insurance Claims & Refunds	2,637
Interest earnings	704
Local Gov 1/2 cent tax	45,124
Local Option Fuel Tax	37,478
Mobile Home Licenses	869
Occupational & Bus Tax	1,083
Rents (Elite)	18,900
State Mowing Contract	14,155
State Revenue Sharing	33,860
Traffic Court Fines	1,548
CDBG Grant	5,000
Miscellaneous	1,012
Total Revenues	<u>268,606</u>
<u>EXPENDITURES:</u>	
General Government (excludes Depreciation)	106,342
Public Safety	3,674
Streets	49,379
Culture and Recreation	934
Capital Outlay	6,369
Debt Service: Principal	32,859
Debt Service: Interest	2,539
Total Expenditures	<u>202,097</u>
Excess of revenues over expenditures	66,509
Net Position at beginning of year	<u>237,601</u>
NET POSITION AT END OF YEAR	<u><u>\$ 304,110</u></u>

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

CITY OF LAUREL HILL, FLORIDA
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN NET POSITION OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2015

Net change in fund balance - governmental fund	\$ 66,509
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental fund reports capital outlay as expenditures while governmental activities reports depreciation expense to allocate those expenditures over the life of the assets.	
Plus Capital assets purchases capitalized	6,369
Minus Depreciation expense	(53,250)
Subtotal	<u>(46,881)</u>
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long- term liabilities in the Statement of Net Assets:	
Note principal payments	32,859
CHANGE IN NET POSITION OF STATEMENT OF ACTIVITIES	<u><u>\$ 52,487</u></u>

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

CITY OF LAUREL HILL, FLORIDA
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES
- BUDGET AND ACTUAL
For the Year Ended September 30, 2015

	Budgeted Amounts	Actual Amounts	Budget Variance
<u>REVENUES:</u>			
Advalorem Taxes	\$ 52,900	\$ 52,297	\$ (603)
Alcoholic License tax	600	624	24
Communication Tax	7,500	7,053	(447)
Electric franchise & Utility Taxes	40,500	45,886	5,386
Fire Public Safety Fac Fee	100	375	275
Insurance Claims & Refunds	1,200	2,637	1,437
Interest earnings	200	704	504
Local Gov 1/2 cent tax	39,000	45,124	6,124
Local Option Fuel Tax	30,000	37,478	7,478
Mobile Home Licenses	1,000	869	(131)
Occupational & Bus Tax	800	1,083	283
Rents (Elite)	19,900	18,900	(1,000)
State Mowing Contract	11,324	14,155	2,831
State Revenue Sharing	33,500	33,860	360
Traffic Court Fines	500	1,548	1,048
CDBG Grant	600,000	5,000	(595,000)
Miscellaneous	-	1,012	1,012
Total Revenues	839,024	268,606	(570,418)
<u>EXPENDITURES:</u>			
General Governmental Services	114,888	106,342	8,546
Public Safety	11,000	3,674	7,326
Streets	74,750	49,379	25,371
Culture and Recreation	2,000	934	1,066
Debt Service:			-
Principal	31,400	32,859	(1,459)
Interest	4,000	2,539	1,461
Un-Reserved Funds	600,986	-	600,986
Total Expenditures	839,024	202,097	636,927
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 66,509	\$ 66,509

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

CITY OF LAUREL HILL, FLORIDA
BALANCE SHEET - PROPRIETARY FUND
September 30, 2015

Business-type Activities - Enterprise Funds - Water Fund

	2015
ASSETS:	
Current Assets:	
Cash, Unrestricted	\$ 183,261
Accounts Receivable	17,678
Restricted Assets:	
Cash, Customer Deposits	21,935
Cash, Impact Fees	34,464
Cash, Sinking and reserve funds	67,751
Total restricted assets	124,149
Total current assets	325,088
Noncurrent Assets:	
Capital assets:	
Land	4,700
Improvements other than buildings	2,014,695
Machinery and equipment	110,121
Less accumulated depreciation	(1,249,174)
Total capital assets (net of accumulated depreciation)	880,342
Total noncurrent assets	880,342
TOTAL ASSETS	\$ 1,205,430
LIABILITIES AND NET POSITION:	
Liabilities:	
Accounts payable	\$ -
Revenue bonds payable (current portion)	14,200
Accrued Interest	1,616
Customer Deposits	21,935
Total current liabilities	\$ 37,751
Noncurrent liabilities	
Revenue bonds payable (noncurrent portion)	360,400
Total noncurrent liabilities	360,400
TOTAL LIABILITIES	398,151
Net Position:	
Invested in capital assets, net of related debt	683,129
Restricted for revenue bond retirement	67,751
Restricted for impact fees	34,464
Restricted for customer deposits	21,935
Unrestricted	807,278
TOTAL NET POSITION	807,278
TOTAL LIABILITIES AND NET POSITION	\$ 1,205,430

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
For the Year Ended September 30, 2015

Business-type Activities - Enterprise Funds - Water Fund

	<u>2015</u>
Operating revenues:	
Charges for services	\$ 255,262
Operating expenses:	
Personal services	117,230
Materials and supplies	6,403
Repairs and maintenance	41,733
Utilities	18,437
Other operating expenses	18,240
Depreciation and amortization	<u>75,036</u>
Total operating expenses	<u>277,079</u>
OPERATING INCOME (LOSS)	(21,817)
Non-operating revenues (expenses)	
Interest income	858
Interest expense	(20,373)
Transfers to the General Fund	
Total Non-operating revenues (expenses)	<u>(19,515)</u>
INCOME (LOSS) AND CHANGE IN EQUITY	(41,332)
Net Position at beginning of year	<u>848,610</u>
NET POSITION AT END OF YEAR	<u><u>\$ 807,278</u></u>

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

CITY OF LAUREL HILL, FLORIDA
 PROPRIETARY FUND: STATEMENT OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL
 For the Year Ended September 30, 2015

Business-type Activities - Enterprise Funds - Water Fund

	Budget	Actual	Variance
<u>Operating revenues:</u>			
Charges for services	\$ 217,100	\$ 255,262	\$ 38,162
<u>Operating expenses:</u>			
Personal services	94,744	117,230	22,486
Materials and supplies	11,000	6,403	(4,597)
Repairs and maintenance	32,500	41,733	9,233
Utilities	17,300	18,437	1,137
Other operating expenses	19,550	18,240	(1,310)
Depreciation and amortization	-	75,036	75,036
Total operating expenses	175,094	277,079	101,985
OPERATING INCOME (LOSS)	42,006	(21,817)	(63,823)
<u>Non-operating revenues (expenses)</u>			
Interest income	400	858	458
Interest expense	(34,000)	(20,373)	13,627
Unreserved Funds	(8,406)		8,406
Total non-operating revenues (expenses)	(42,006)	(19,515)	22,491
INCOME (LOSS)	\$ -	\$ (41,332)	\$ (41,332)

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended September 30, 2015

Business-type Activities - Enterprise Funds - Water Fund

	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 255,262
Less:	
Payments to suppliers	(6,403)
Payments to employees and contractors	(158,963)
Payments for Utilities	(18,437)
Payments for Other operating expenses	<u>(18,240)</u>
Net cash provided by operating activities	53,219
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: None	 -
Net cash provided by non-capital financing activities	<u>-</u>
 CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES	
Acquisition of capital assets	
Principal paid on capital debt	(13,500)
Interest paid on capital debt	<u>(20,373)</u>
Net cash provided (used) by capital and related financing activities	(33,873)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>858</u>
Net cash provided by investing activities	<u>858</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 20,205
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>287,205</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 307,410</u></u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF :	
Unrestricted cash	124,149
Restricted cash	<u>183,261</u>
Total	<u><u>\$ 307,410</u></u>

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

CITY OF LAUREL HILL, FLORIDA
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
 For the Year Ended September 30, 2015

Business-type Activities - Enterprise Funds - Water Fund

	<u>2015</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ (41,332)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	75,036
Interest Expense	20,373
Change in assets and liabilities:	
Receivables Increase	(1,585)
Current Revenue Bonds increase	700
Accrued Interest decrease	(3)
Customer Deposits increase	<u>30</u>
Net cash provided by operating activities	<u><u>\$ 53,219</u></u>

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

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Laurel Hill was created by an act of Legislature of the State of Florida on June 3, 1953. The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies used by the city are discussed below:

The City's financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the city's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all city activities.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. No potential component units were identified.

BASIC FINANCIAL STATEMENTS: GOVERNMENTAL –WIDE STATEMENTS

The city's basic financial statements include both government-wide (reporting the city as a whole) and fund financial statements (reporting the city's general and proprietary funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The city's fire protection, parks and recreation, street, and general administration services are classified as governmental activities.

In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis, and are reported in full accrual, economic resource measurement basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The city's net position is reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The city first uses restricted resources to finance qualifying activities. The government-wide Statement of Position reports as restricted net assets those resources that are restricted by legislation.

The government-wide Statement of Activities reports both gross and net cost of each of the city's functions and business-type activities: general government, fire, etc. The functions are also supported by general government revenues (Ad valorem Taxes, State Revenue Sharing, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and capital grants. Program revenues must be directly associated with the function or business-type activity. The capital grants reflect capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (Electric Franchise or Utility taxes, Communication Services taxes, etc.). The city does not allocate indirect costs. This government-wide focus is more on the sustainability of the city as an entity and the change in the city's net assets resulting from current year activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIC FINANCIAL STATEMENTS: FUND FINANCIAL STATEMENTS

Fund Financial Statements:

Government Funds are used to account for the general government activities. Governmental fund types use the flow of current financial measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The city considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Ad valorem taxes, reimbursements for incidents 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 period. All other revenue items are considered to be measurable and available only when cash is received by the city. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. The financial transactions of the city are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that includes assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The following fund types are used by the city:

Governmental Funds: The focus of the governmental funds’ measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the city:

General Fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds:

The focus of proprietary funds is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to private sector business. Proprietary funds distinguish operating revenues from non-operating items. Operating revenues and expenses result from providing and delivering services in connection with the principal ongoing operation of the fund. Operating expenses include all costs associated with providing these services, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Contributions to capital arise from contributions of resources restricted to capital acquisition and construction. The following is a description of the proprietary fund of the city:

Water Fund is used to account for user charges and expenses associated with providing water services and garbage collection services.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. The city determined that all funds met the criteria of a major fund.

Fund Balances

The following is a description of the city's various fund balance accounts:

Non-spendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted fund balance includes amounts restricted by creditor, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation.

Committed fund balance can be used only for specific purposes as imposed by formal action of the city council. There are no committed funds at the end of this fiscal year.

Assigned fund balance includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by the city council. There are no assigned funds as of the end of this fiscal year.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

Restricted – This component of net position consists of constraints placed on net positions imposed by creditors (such as through debt covenants), reserve for repayment of water bonds, contributors, customer water deposits, impact fees, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Restricted resources are only used for their specific designation and with approval from the city council. Committed and Assigned funds are used for their specific designation. If the city does not have sufficient funds allocated to committed or assigned funds to cover the full cost of an expenditure, then unassigned funds would be used to cover the remaining portion of the expense. In the event that an expenditures exceeds available restricted funds, the expenditure will be funded out of restricted funds to the extent of the restricted fund balance, and the remainder will be funded by the unrestricted fund balance. The city considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in unrestricted fund balance classification could be used.

BASIS OF ACCOUNTING

Basis of accounting refers to the point that revenues and expenditures/expenses are recognized in the accounts and reported in financial statements. It relates to the timing of measurements made regardless of the measurement focus applied.

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, and when they are measurable and available. Measurable means the amount the transaction is known, or can reasonably be estimated. Available means collectible within the current period or with 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, as under accrual accounting. The exception to this general rule is that principal and interest on general obligations long-term debt, are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Cash, Deposits and Investments

The city is authorized to invest in financial instruments as established in Section 218.415, Florida Statutes. The city maintains deposits with “Qualified Public Depositories” as defined in Chapter 280 Florida Statutes. The city has an investment policy that places the highest priority on the safety of principal and liquidity of funds. Funds in excess of amounts needed to meet current expenses are invested in money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation. Investments in money market funds are reported at fair value.

Interest Rate Risk

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The city minimizes interest rate risk by structuring investments to mature to meet future operating cash requirements and investing primarily in short-term security such as money market accounts.

Concentration of Credit Risk

As mentioned above, the city limits investments to money market accounts or in certificate of deposits of banks that are insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that the city will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The city has no formal policy for custodial risk.

Interfund Transfers

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These transactions are classified as “Interfund Transfers” in the financial statements, and are listed as revenues, expenditures, or reimbursements. Interfund transactions that

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are reimbursements to a fund for expenditures/expenses initially made from it, and that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund, and as reductions of expenditures/expense in the fund being reimbursed. The payroll costs for all funds are paid out of the General Fund, and the Water Fund transfers funds to the General Fund to pay for Water Fund payroll costs.

Investment in capital assets – This component of net position consists of capital assets, included restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as unspent proceeds.

Capital assets, which include property and equipment are reported in the government-wide financial statements but are not recorded in the governmental fund financial statements. Capital assets are defined by the city as assets with an initial/individual cost of more than \$1,000. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated asset are recorded at estimated fair market value at the date of donation. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Building and improvements	30 to 50 years
Improvements other than buildings	7 to 50 years
Machinery and equipment	5 to 20 years
Infrastructure	30 years

Governmental Accounting Standards Board (GASB) statement number 34 requires the city to report and depreciate new infrastructure assets. Infrastructure assets include road, drainage systems, water systems, etc.

Long Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Ad Valorem Tax Revenue

The Okaloosa County Property Tax Calendar Significant dates relative to ad valorem tax revenue are as follows:

- Assessment date, Lien date – January 1
- Levy date – November 1
- Due Date – November 1
- Maximum Discount – November 30
- Past Due or Delinquent date – April 1
- Tax Certificates Sold – June 1

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
For fiscal year ending September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and and Budgetary accounting

The city adopted a formal budget for the fiscal year. A Budgetary Comparison Schedule is included in the financial statements.

Estimates

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

NOTE B – DEPOSITS AND INVESTMENTS

The city has a written policy for deposits or investing surplus funds. Regarding the investment of surplus funds, the Florida State Statutes were followed. There are several restricted funds. Impact funds are restricted for water line extensions. Water Reserve funds are restricted for repayment of the U.S. Department of Agriculture (USDA) Water Revenue bonds payable. Fuel Tax funds are restricted for road and street repairs. Community Development Block Grant (CDBG) funds are restricted for road resurfacing. Evaluation and Appraisal Report (EAR) are restricted for funding the EAR study. Water customer deposits funds are restricted for payment of unpaid water bills.

NOTE C – BUDGETARY ACCOUNTING AND LEGAL COMPLIANCE

Budgetary data reflected in the financial statements are established by the following city procedure: During the month of June, the city clerk submits the city's proposed expenditures and requested appropriations to the City Council for consideration.

Proposed budgets are advertised by a newspaper of general circulation and public hearings are conducted during September for the purpose of hearing requests and complaints from the public. In the event the final budget has not been adopted by October 1, the beginning of the fiscal year, Florida Statutes provide for expenditures based on the adopted tentative budget. The final budget is adopted by resolution. Any subsequent amendment must be enacted in the same manner as the original budget.

Expenditures may not exceed budgeted appropriations at the fund level. The city clerk is authorized to transfer budgeted amounts within departments of a fund. Any revision that alters the total expenditures of any fund or department must be approved by the City Council.

The General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Accrual presents comparisons of legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposed of developing data on a budgetary basis often differ from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

CITY OF LAUREL HILL, FLORIDA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For fiscal year ending September 30, 2015

NOTE D – CASH

Cash at fiscal year end consists of the following:

	Total	Restricted	Un-Restricted
	<u>Cash</u>	<u>Cash</u>	<u>Cash</u>
<u>General Fund Cash:</u>			
Operating	\$ 241,378	\$ -	\$ 241,378
CDBG funds	150	150	-
EAR funds	16,134	16,134	-
Fuel Tax	80,630	80,630	-
General Fund Cash totals	<u>\$ 338,292</u>	<u>\$ 96,914</u>	<u>\$ 241,378</u>
<u>Water Fund Cash:</u>			
Operating	\$ 140,574	\$ -	\$ 140,574
Customer Deposits	27,022	21,935	5,087
Impact Funds	34,464	34,464	-
Reserve for USDA loan	105,350	67,751	37,600
Water Fund Cash totals	<u>\$ 307,410</u>	<u>\$ 124,149</u>	<u>\$ 183,261</u>
Totals for General and Water funds	<u>\$ 645,702</u>	<u>\$ 221,063</u>	<u>\$ 424,639</u>

NOTE E – CAPITAL ASSETS

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

Infrastructure	\$ 9,098
Buildings	19,224
Improvements	3,741
Machinery & Equipment	<u>21,187</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 53,250</u>

Business Type Activities:

Water Equipment	\$ 8,256
Water Improvements	<u>66,780</u>
Total Depreciation Expense – Business Activities	<u>\$ 75,036</u>

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30,2015

NOTE E - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2015 was a follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities (General Fund)</u>				
Capital assets, not being depreciated:				
Land	\$ 69,897	\$ -	\$ -	\$ 69,897
Total Capital Assets not being depreciated	69,897	-	-	69,897
Capital Assets, being depreciated:				
Buildings	962,994			962,994
Improvements other than buildings	50,593			50,593
Machinery and Equipment	382,271			382,271
Infrastructure	<u>343,132</u>			<u>343,132</u>
Total Capital Assets being depreciated	<u>1,738,990</u>	-		<u>1,738,990</u>
Total Cost of Capital Assets	1,808,887	-	-	1,808,887
Less accumulated depreciation for:				
Buildings	(273,338)	(19,224)		(292,562)
Improvements other than buildings	(25,761)	(3,741)		(29,502)
Machinery and Equipment	(257,646)	(21,187)		(278,833)
Infrastructure	<u>(227,637)</u>	<u>(9,098)</u>		<u>(236,735)</u>
Total Accumulated Depreciation	<u>(784,382)</u>	<u>(53,250)</u>	-	<u>(837,632)</u>
Total capital assets, being depreciated, net	<u>954,608</u>	<u>(53,250)</u>	-	<u>901,358</u>
Governmental activities capital assets, net	<u>\$ 1,024,505</u>	<u>\$ (53,250)</u>	<u>\$ -</u>	<u>\$ 971,255</u>

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30,2015

NOTE E - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended September 30, 2015 was a follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<u>Business-type activities (Water Fund)</u>				
Capital assets, not being depreciated:				
Land	\$ 4,700	\$ -	\$ -	\$ 4,700
Total Capital Assets not being depreciated	4,700	-	-	4,700
Capital Assets, being depreciated:				
Buildings	-			-
Improvements other than buildings	2,014,695			2,014,695
Machinery and Equipment	<u>110,121</u>			<u>110,121</u>
Total Capital Assets being depreciated	<u>2,124,816</u>	-		<u>2,124,816</u>
Total Cost of Capital Assets	2,129,516	-	-	2,129,516
Less accumulated depreciation for:				
Improvements other than buildings	(1,080,183)	(66,780)		(1,146,963)
Machinery and Equipment	<u>(93,955)</u>	<u>(8,256)</u>		<u>(102,211)</u>
Total Accumulated Depreciation	<u>(1,174,138)</u>	<u>(75,036)</u>	-	<u>(1,249,174)</u>
Total capital assets, being depreciated, net	<u>950,678</u>	<u>(75,036)</u>	-	<u>875,642</u>
Business-type activities capital assets, net	<u>\$ 955,378</u>	<u>\$ (75,036)</u>	<u>\$ -</u>	<u>\$ 880,342</u>

CITY OF LAUREL HILL, FLORIDA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For fiscal year ending September 30, 2015

NOTE F – LONG TERM DEBT

Governmental activities include a note to First NBC Bank secured by a pledge of all Taxes, Fees and Revenues of the city. Monthly installments are \$2,250 and includes interest at 4.75%. The interest rate is variable and subject to change every three years to a maximum of 9.75%.

Revenues of the City’s water system are pledged as collateral on the 5.25% U.S. Department of Agriculture (USDA) Water Revenue Bonds. There are a number of other limitations and restrictions, pertaining to sinking fund and reserve cash requirements, insurance, user fees, etc. contained in various debt instruments. The city is in compliance with all significant limitations and restrictions.

The following is a summary of long-term debt transactions for the year ended September 30, 2015

	Balance			Balance	Due within	Long Term
	<u>Oct. 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Sep. 30, 2015</u>	<u>one year</u>	<u>portion</u>
<u>Governmental Activities:</u>						
Note payable First NBC Bank	\$ 67,714		\$ 32,859	\$ 34,855	\$ 26,089	\$ 8,766
 <u>Business Type Activities:</u>						
Revenue Bonds, Series 1993	\$ 388,100		\$ 13,500	\$ 374,600	\$ 14,200	\$ 360,400
 <u>Grand Total - All Funds:</u>	 \$ 455,814		 \$ 46,359	 \$ 409,455	 \$ 40,289	 \$ 369,166

NOTE G - GRANT REVENUE

The following is a summary of Grant Revenue received by the city during the fiscal year ended September 30, 2015

	<u>Operating Grants</u>	<u>Capital Grants</u>
<u>Governmental Activities:</u>		
A \$600,000 Community Development Block Grant (CDBG) has been awarded for road resurfacing. The grant has been subgranted to the Florida Department of Economic Opportunity (DEO). \$5,000 of grant funds were received from DEO on 7/17/2015 for the payment of administration fees.		\$ 5,000

The grant funds were used to help pay for the following administration fees incurred before the contract award:

Payments to Halifax Media for legal advertising	\$ 1,369
Payment to Preble-Rish Consulting Engineers	<u>5,000</u>
Total paid prior to contract award	<u>\$ 6,369</u>

Business Type Activities:

No grant income was received for the Water Fund.

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For fiscal year ending September 30, 2015

NOTE H – RISK MANAGEMENT

The city of Laurel Hill, Florida is exposed to various risks of loss related to tort, theft, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The city purchases insurance through commercial carriers and participates in the Florida Municipal Insurance Trust, and the Florida Municipal Self-Insurers Fund, which is a public entity risk pool. The city maintains minimal insurance deductibles for insurance policies from its carriers. There has been no significant reduction in insurance coverage from the prior fiscal year. Insurance coverage has been sufficient to cover all claims made in the past two years.

NOTE I – MISCELLANEOUS REVENUES

The Statement of Activities lists Miscellaneous Revenue of \$1,012 for the General Fund. This consists of \$691 Reimbursement CDBG workshop, \$184 CHELCO capital credits, \$77 LCD TV settlement, and \$60 Qualifying fees for 2015 election.

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 27, 2016, the date these financial statements were available to be issued, and no event was deemed to warrant recognition or disclosure.

JOSEPH A JONES
CERTIFIED PUBLIC ACCOUNTANT

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**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 Council
City of Laurel Hill, Florida

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Laurel Hill, Florida, as of and for the year ended September 30, 2015, which collectively comprise the City of Laurel Hill's basic financial statements and have issued my report thereon dated June 27, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Laurel Hill's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Laurel Hill's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Laurel Hill's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

The Honorable Mayor and Members of the City Council, City of Laurel Hill, Florida

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 (Continued)

Internal Control Over Financial Reporting (Continued)

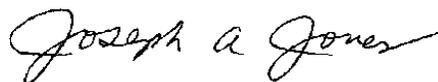
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Laurel Hill's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Any other matters pertaining to immaterial instances of noncompliance have been reported to management of the City in a separate letter dated June 27, 2016.

This report is intended solely for the information and use of management, the City Council of the City of Laurel Hill, Florida, the State of Florida, and the office of the Auditor General, and is not intended to be and should not be used by anyone other than those specified parties.



Joseph A. Jones, CPA
Crestview, Florida
June 27, 2016

JOSEPH A JONES
CERTIFIED PUBLIC ACCOUNTANT

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MANAGEMENT LETTER

The Honorable Mayor and Members of the City Council
City of Laurel Hill, Florida

I have audited the financial statements of the City of Laurel Hill, Florida as of and for the year ended September 30, 2015, and I have issued my report thereon dated June 27, 2016.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. I have issued my 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 dated June 27, 2016. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, my audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There was one finding in FY2014, and that was 2014-1. This finding has not been corrected in FY2015, and this finding continues to be uncorrected. Finding 2014-1 is repeated in Finding 2015-01 (below) as corrective actions have not been taken to address findings and recommendations made in the preceding annual financial audit report.

Finding 2014-01 was in connection with my audit of FY2014, I determined that during the last quarter of the fiscal year 2014, the following bank accounts were not reconciled to the books: Water Operating, and Water Customer Deposits. I have discussed Finding 2014-1 with city officials, and they are agreement with these findings and agree to take appropriate actions to ensure the bank accounts are timely reconciled with the books.

Section 10.554(1)(i)2., Rules of the Auditor General, requires my audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with my audit, I determined that the City of Laurel Hill complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that I address in the management letter any recommendations to improve financial management. I have the following recommendations or findings:

Finding 2015-1 (Finding 2015-1 is a repeat finding for Finding 2014-1): Perform monthly bank reconciliations: During the audit of FY2015, I determined that during the last quarter of the fiscal year, the following bank accounts were not reconciled to the books: Water Operating, and Water Customer Deposits. When performing the monthly bank reconciliation, the bank statement balance, minus un-cleared items, did not agree with the balance per books. The un-cleared items was printed as a total, and detailed listings of the un-cleared items were not printed in most cases.

Auditor Recommendation: The city clerk should ensure that, on a monthly basis, all bank balances per the city's books agree with the bank statement balance minus the un-cleared items. A listing of all un-cleared items should be printed and appropriate actions should be made to clear all old un-cleared items.

View of the Responsible Officials and Planned Corrective Actions.

I have discussed Finding 2015-1 with city officials, and they are agreement with these findings and agree to take appropriate actions to ensure the bank accounts are timely reconciled with the books.

Finding 2015-2: Reconcile and balance the Accounts Payable balance: During my audit of FY2015, I determined that the Water Fund Accounts Payable balance was not being balanced. The first procedure for accounts payable accounting is to enter a bill by posting a debit to expense and a credit to accounts payable. The second procedure is to pay the bill by posting a debit to accounts payable and a credit to the bank account. After the first and second procedures are completed, the accounts payable should zero out of balance. There were instances were some water fund bills were never entered into (or credited) to accounts payable, but the check payment of the bill was posted to accounts payable as a debit. These posting errors have created a debit out of balance in the water fund accounts payable.

Auditor Recommendation: The city clerk should ensure that all accounts payable balances are balanced monthly, and corrective actions should be taken, as needed, to balance the accounts payable.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that I address violations of 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 more than inconsequential. In connection with my audit of the fiscal year ending September 30, 2015, I did not have any such findings.

The Honorable Mayor and Members of the City Council
City of Laurel Hill, Florida
Management Letter, Page #3

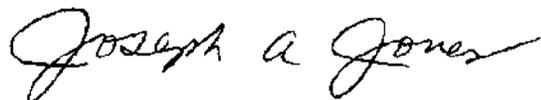
Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Laurel Hill has no component units.

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity 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 my audit of the fiscal year ending September 30, 2015, I determined that the City of Laurel Hill did not meet any of the conditions described in Section 218.503(1), Florida Statutes, "Determination of Financial Emergency."

Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that I determine whether the annual financial report for the City of Laurel for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with my audit, I determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, I applied financial condition assessment procedures. It is management's responsibility to monitor the City of Laurel Hill's financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Based on my financial assessment of fiscal year ending September 30, 2015, I did not find any deteriorating conditions.

My 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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Joseph A. Jones, CPA
Crestview, Florida
June 27, 2016

City of Laurel Hill
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Laurel Hill, FL 32567-0158

Phone 850-652-4441
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June 27, 2016

To: Joseph A. Jones, CPA
Crestview, Florida

Subject: City Clerk's response to the FY2015 Audit findings

Re: Finding 2015-1, Perform monthly bank reconciliations:

The City Clerk personnel will take actions to ensure all bank accounts are reconciled on a monthly basis. Each month, the City Clerk personnel will print out a detailed listing of un-cleared items for all bank accounts. We will ensure that the bank balance per Quickbooks is in agreement with the bank statement balance minus the un-cleared items. We will take actions to clear any old, un-cleared, items.

Re Finding 2015-2: Reconcile and balance the Accounts Payable balance:

The City Clerk personnel will take actions to ensure that all accounts payable accounts are balanced on a monthly basis. We will take actions to correct out of balances in all accounts payable accounts.

Thank you,



Nita Miller
City Clerk