

CITY OF LAUREL HILL, FLORIDA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2019

JOSEPH A. JONES
Certified Public Accountant
Crestview, Florida
December 18, 2019

CITY OF LAUREL HILL, FLORIDA
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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, and the business-type activities, of the City of Laurel Hill, Florida as of, and for the year ended, September 30, 2019, 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.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities, of the City of Laurel Hill, Florida, as of September 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles general accepted in the United States of America.

Other Matters

Required Supplementary Information

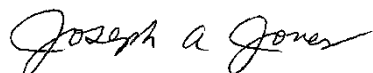
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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 Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurel Hill's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated December 18, 2019 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 effectiveness of the City of Laurel Hill's 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
December 18, 2019

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, 2019. 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 2019: At the close of the fiscal year, the city had \$807,080 of cash in banks. The city's assets exceeded its liabilities by \$2,778,089. General Fund revenues were \$373,157 compared to the prior year \$285,514, and part of the \$87,643 increase is \$49,969 park improvement grant and the \$33,921 Okaloosa half cent tax revenue. General Fund operating expenditures (excluding capital outlay) increased \$19,349. General Fund capital outlay expenditures were \$49,951, and include \$45,169 park improvements and \$4,782 for one half of the city hall generator cost. Water and garbage revenues increased \$27,558. Water and garbage expenses increased \$60,190, and most of the increased costs were for tank repairs, well #4 repairs, and water line repairs. The Water and garbage fund reported a net loss of \$25,530 (after deducting \$69,291 depreciation), compared with prior year net profit of \$7,103 (after deducting \$61,110 depreciation).

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, 2019:

| | <u>Governmental</u> | | <u>Business Type</u> | | <u>Total</u> | |
|----------------------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | <u>Activities</u> | | <u>Activities</u> | | <u>Activities</u> | |
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Assets: | | | | | | |
| Current & Other | \$ 371,931 | \$ 252,311 | \$ 462,048 | \$ 438,823 | \$ 833,980 | \$ 691,134 |
| Capital Assets | <u>1,625,814</u> | <u>1,649,924</u> | <u>658,131</u> | <u>722,640</u> | <u>2,283,945</u> | <u>2,372,564</u> |
| Total Assets | 1,997,745 | 1,902,236 | 1,120,179 | 1,161,463 | 3,117,925 | 3,063,699 |
| Liabilities: | | | | | | |
| Current | 2,093 | 4,650 | 41,842 | 40,196 | 43,935 | 44,845 |
| Non-Current | <u>-</u> | <u>-</u> | <u>295,900</u> | <u>313,300</u> | <u>295,900</u> | <u>313,300</u> |
| Total Liabilities | 2,093 | 4,650 | 337,742 | 353,496 | 339,835 | 358,145 |
| Net Assets: | | | | | | |
| Invested in Capital Assets | 1,625,814 | 1,649,924 | 644,253 | 679,371 | 2,270,067 | 2,329,296 |
| Restricted | 38,804 | 26,887 | 138,184 | 128,596 | 176,988 | 155,483 |
| Unrestricted | <u>331,034</u> | <u>220,775</u> | <u>-</u> | <u>-</u> | <u>331,034</u> | <u>220,775</u> |
| Total Net Assets | <u>1,995,652</u> | <u>1,897,586</u> | <u>782,437</u> | <u>807,967</u> | <u>2,778,089</u> | <u>2,705,553</u> |
| Total Liabilities and Net Assets | <u>\$ 1,997,745</u> | <u>\$ 1,902,236</u> | <u>\$ 1,120,179</u> | <u>\$ 1,161,463</u> | <u>\$ 3,117,925</u> | <u>\$ 3,063,699</u> |

Fiscal year 2019: The city's cash balances increased \$133,538. General fund cash increased \$119,620 and Water fund cash increased \$13,918. The city has cash of \$807,080, consisting of unrestricted cash of \$630,092 (\$333,127 in General Fund and \$296,965 in Water Fund), and restricted cash of \$176,988 (\$38,804 in General Fund and \$138,184 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 fire impact funds, and Evaluation and Appraisal Report (EAR) funds. Current assets, including cash, increased \$142,846. The General Fund has no long term debt. The Water Fund long term debt consists of the U.S. Department of Agriculture (USDA) water system loan. The USDA loan principal balance as of fiscal year end was \$313,300.

The following schedule reports the revenues, expenses, and changes in net assets for the City, for fiscal year ending September 30, 2019 and September 30, 2018:

| | <u>Governmental Activities</u> | | <u>Business Type Activities</u> | | <u>Total Activities</u> | |
|-----------------------------------|--------------------------------|---------------------|---------------------------------|-------------------|-------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| <u>Revenues:</u> | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | | | \$ 316,159 | \$ 289,992 | \$ 316,159 | \$ 289,992 |
| Grants revenue | 49,969 | 10,786 | | | 49,969 | 10,786 |
| General Revenues: | | - | | | | - |
| Ad Valorem Taxes | 59,367 | 56,303 | | | 59,367 | 56,303 |
| Other Taxes | 88,284 | 48,704 | | | 88,284 | 48,704 |
| Intergovernmental | 150,233 | 146,075 | | | 150,233 | 146,075 |
| Fines & Forfeitures | 319 | 324 | | | 319 | 324 |
| Interest Income | 2,436 | 2,348 | 3,845 | 2,455 | 6,281 | 4,803 |
| Miscellaneous | <u>22,549</u> | <u>20,974</u> | <u>-</u> | <u>-</u> | <u>22,549</u> | <u>20,974</u> |
| Total Revenues | <u>373,157</u> | <u>285,514</u> | <u>320,004</u> | <u>292,447</u> | <u>693,161</u> | <u>577,960</u> |
| | | | | | | |
| <u>Expenses:</u> | | | | | | |
| General Government | 239,148 | 195,735 | - | - | 239,148 | 195,735 |
| Public Safety | 10,612 | 6,352 | - | - | 10,612 | 6,352 |
| Streets | 24,826 | 52,481 | - | - | 24,826 | 52,481 |
| Culture and Recreation | 505 | 1,173 | - | - | 505 | 1,173 |
| Water and Garbage | <u>-</u> | <u>-</u> | <u>345,534</u> | <u>285,344</u> | <u>345,534</u> | <u>285,344</u> |
| Total Expenses | <u>275,091</u> | <u>255,742</u> | <u>345,534</u> | <u>285,344</u> | <u>620,625</u> | <u>541,085</u> |
| | | | | | | |
| <u>Net Assets:</u> | | | | | | |
| Increase (Decrease) in Net Assets | 98,066 | 29,772 | (25,530) | 7,103 | 72,536 | 36,875 |
| Net Assets October 1 | <u>1,897,586</u> | <u>1,867,814</u> | <u>807,967</u> | <u>800,864</u> | <u>2,705,553</u> | <u>2,668,679</u> |
| Net Assets September 30 | <u>\$ 1,995,652</u> | <u>\$ 1,897,586</u> | <u>\$ 782,437</u> | <u>\$ 807,967</u> | <u>\$ 2,778,089</u> | <u>\$ 2,705,553</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, 2019 and September 30, 2018:

| | Governmental Activities | | Business Type Activities | | Total Activities | |
|---|-------------------------|--------------|--------------------------|-------------|------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| CAPITAL ASSETS: | | | | | | |
| Land | \$ 69,897 | \$ 69,897 | \$ 4,700 | \$ 4,700 | \$ 74,597 | \$ 74,597 |
| Total Capital Assets not being depreciated | 69,897 | 69,897 | 4,700 | 4,700 | 74,597 | 74,597 |
| Buildings | 994,954 | 994,954 | - | - | 994,954 | 994,954 |
| Improvements other than buildings | 100,562 | 55,393 | 2,056,407 | 2,056,407 | 2,156,969 | 2,111,800 |
| Machinery and Equipment | 401,255 | 396,473 | 114,903 | 110,121 | 516,158 | 506,594 |
| Infrastructure | 1,155,542 | 1,155,542 | - | - | 1,155,542 | 1,155,542 |
| Total Capital Assets being depreciated | 2,652,313 | 2,602,362 | 2,171,311 | 2,166,528 | 4,823,624 | 4,768,890 |
| Total Cost of Capital Assets | 2,722,210 | 2,672,259 | 2,176,011 | 2,171,228 | 4,898,221 | 4,843,487 |
| LESS ACCUMULATED DEPRECIATION | | | | | | |
| Buildings | (375,654) | (354,881) | - | - | (375,654) | (354,881) |
| Improvements other than buildings | (46,133) | (40,726) | (1,407,701) | (1,338,468) | (1,453,835) | (1,379,194) |
| Machinery and Equipment | (333,407) | (321,563) | (110,178) | (110,121) | (443,585) | (431,684) |
| Infrastructure | (341,202) | (305,165) | - | - | (341,202) | (305,165) |
| Total Accumulated Depreciation | (1,096,396) | (1,022,335) | (1,517,880) | (1,448,589) | (2,614,276) | (2,470,923) |
| | - | - | - | - | - | - |
| CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) | \$ 1,625,814 | \$ 1,649,924 | \$ 658,131 | \$ 722,640 | \$ 2,283,945 | \$ 2,372,564 |

Debt Administration

Fiscal year 2019:

At fiscal year ending 2019 the city had outstanding water revenue bonds payable to U.S. Department of Agriculture (USDA) totaling \$313,300 (with interest at 5.25%) after paying \$16,500 of principal during the fiscal 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, 2019

| | Governmental | Business-Type | Total |
|--------------------------------------|---------------------|---------------------|---------------------|
| | <u>Activities</u> | <u>Activities</u> | <u>Activities</u> |
| Assets | | | |
| Current assets: | | | |
| Cash Unrestricted | \$ 333,127 | \$ 296,965 | \$ 630,092 |
| Receivables, net | - | 26,900 | 26,900 |
| Restricted assets: | | | - |
| Cash | 38,804 | 138,184 | 176,988 |
| Total Current Assets | <u>371,931</u> | <u>462,048</u> | <u>833,980</u> |
| Noncurrent assets: | | | |
| Capital assets, net of depreciation: | | | |
| Land | 69,897 | 4,700 | 74,597 |
| Buildings and improvements | 619,300 | | 619,300 |
| Improvements other than buildings | 54,429 | 648,706 | 703,135 |
| Machinery and equipment | 67,849 | 4,725 | 72,574 |
| Infrastructure | 814,340 | | 814,340 |
| Total capital assets, net | <u>1,625,814</u> | <u>658,131</u> | <u>2,283,945</u> |
| Total noncurrent assets | <u>1,625,814</u> | <u>658,131</u> | <u>2,283,945</u> |
| Total Assets | <u>\$ 1,997,745</u> | <u>\$ 1,120,179</u> | <u>\$ 3,117,925</u> |

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

(continued on next page)

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
September 30, 2019

| | Governmental <u>Activities</u> | Business-Type <u>Activities</u> | Total <u>Activities</u> |
|---|-----------------------------------|------------------------------------|----------------------------|
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accrued liabilities | \$ 2,093 | \$ - | \$ 2,093 |
| | | | - |
| Liabilities payable from restricted assets | | | - |
| Current portion of revenue bonds | | 17,400 | 17,400 |
| Customer Deposits | | 23,135 | 23,135 |
| Accrued interest | | 1,307 | 1,307 |
| Total Current Liabilities | 2,093 | 41,842 | 43,935 |
| Noncurrent liabilities: | | | |
| Revenue bonds payable | | 295,900 | 295,900 |
| Total noncurrent liabilities | - | 295,900 | 295,900 |
| TOTAL LIABILITIES | 2,093 | 337,742 | 339,835 |
| Net Position | | | |
| Investment in capital assets, net of related debt | 1,625,814 | 644,253 | 2,270,067 |
| Restricted for half cent improvements | 33,978 | | 33,978 |
| Restricted for revenue bond retirement | | 34,786 | 34,786 |
| Restricted for impact fees | 4,826 | 66,528 | 71,353 |
| Restricted for customer deposits | | 36,870 | 36,870 |
| Unrestricted | 331,034 | | 331,034 |
| TOTAL NET POSITION | 1,995,652 | 782,437 | 2,778,089 |
| TOTAL LIABILITIES & NET POSITION | \$ 1,997,745 | \$ 1,120,179 | \$ 3,117,925 |

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

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

| <u>Functions/Programs</u> | <u>Revenues:</u> | | | | | Net (Expense)/ Revenue |
|---------------------------------------|------------------|---------------------------------|-------------|---|---|------------------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Misc</u> | <u>Operating Grants & Contributions</u> | <u>Capital Grants & Contributions</u> | |
| <u>General government activities:</u> | | | | | | |
| General government | \$ 239,148 | | | | | \$ (239,148) |
| Public safety | 10,612 | | | | | (10,612) |
| Streets | 24,826 | | | | | (24,826) |
| Culture and Recreation | 505 | | | | \$ 49,969 | 49,464 |
| Total governmental activities | 275,091 | - | - | - | 49,969 | (225,122) |
| <u>Business-type activities:</u> | | | | | | |
| Capital Grants | | | | | | - |
| Water Expenses | 345,534 | 316,159 | 3,845 | | - | (25,530) |
| Total business-type activities | 345,534 | 316,159 | 3,845 | - | - | (25,530) |
| Total | \$ 620,625 | \$ 316,159 | \$ 3,845 | \$ - | \$ 49,969 | \$ (250,652) |

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

(continued on next page)

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF ACTIVITIES (CONTINUED)
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

| Changes in Net Assets: | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|--------------------------------|---------------------------------|----------------------------|
| Net (expense) revenue | <u>\$ (225,122)</u> | <u>\$ (25,530)</u> | <u>\$ (250,652)</u> |
| <u>General revenues:</u> | | | |
| Ad-valorem Taxes | \$ 59,367 | | 59,367 |
| Alcoholic License tax | 624 | | 624 |
| Communication Tax | 6,277 | | 6,277 |
| Electric franchise & Utility Taxes | 51,102 | | 51,102 |
| Fire Public Safety Facilities Fee | 2,251 | | 2,251 |
| Insurance Claims & Refunds | 1,714 | | 1,714 |
| Interest earnings | 2,436 | | 2,436 |
| Local Government 1/2 cent tax | 57,359 | | 57,359 |
| Local Option Fuel Tax | 41,031 | | 41,031 |
| Mobile Home Licenses | 545 | | 545 |
| Occupational & Business Tax | 1,011 | | 1,011 |
| Okaloosa 1/2 cent tax | 33,921 | | 33,921 |
| Rents (Elite) | 19,915 | | 19,915 |
| State Mowing Contract | 9,693 | | 9,693 |
| State Revenue Sharing | 34,702 | | 34,702 |
| Traffic Court Fines | 319 | | 319 |
| Miscellaneous | 920 | | 920 |
| Total general revenues | <u>\$ 323,188</u> | <u>\$ -</u> | <u>\$ 323,188</u> |
| Changes in net position: | 98,066 | (25,530) | 72,536 |
| Net Position - beginning | <u>1,897,586</u> | <u>807,967</u> | <u>2,705,553</u> |
| Net Position - ending | <u><u>\$ 1,995,652</u></u> | <u><u>\$ 782,437</u></u> | <u><u>\$ 2,778,089</u></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, 2019

| | <u>General Fund</u> |
|------------------------------------|--------------------------|
| ASSETS: | |
| Cash, restricted | \$ 38,804 |
| Cash, Unrestricted | <u>333,127</u> |
| TOTAL ASSETS | <u><u>371,931</u></u> |
| | |
| LIABILITIES AND FUND BALANCE: | |
| Liabilities: | |
| Payroll Taxes Payable | <u>2,093</u> |
| Total liabilities | 2,093 |
| | |
| Fund balance: | |
| Restricted | 38,804 |
| Un-Assigned | <u>331,034</u> |
| Total fund balance | <u>369,838</u> |
| | |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 371,931</u></u> |

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

| | |
|----------------------------------|------------|
| Fund balance - governmental fund | \$ 369,838 |
|----------------------------------|------------|

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 | <u>1,625,814</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES PER STATEMENT OF NET POSITION | <u><u>\$ 1,995,652</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 FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | <u>General Fund</u> |
|--|--------------------------|
| <u>REVENUES:</u> | |
| Ad-valorem Taxes | \$ 59,367 |
| Alcoholic License tax | 624 |
| Communication Tax | 6,277 |
| Electric franchise & Utility Taxes | 51,102 |
| Fire Public Safety Facilities Fee | 2,251 |
| Insurance Claims & Refunds | 1,714 |
| Interest earnings | 2,436 |
| Local Government 1/2 cent tax | 57,359 |
| Local Option Fuel Tax | 41,031 |
| Mobile Home Licenses | 545 |
| Occupational & Business Tax | 1,011 |
| Okaloosa 1/2 cent tax | 33,921 |
| Rents (Elite) | 19,915 |
| State Mowing Contract | 9,693 |
| State Revenue Sharing | 34,702 |
| Traffic Court Fines | 319 |
| Miscellaneous | 920 |
| FL Recreation Development Assistance Program (FRDAP) Grant | 49,969 |
| Total Revenues | <u>\$ 373,157</u> |
| <u>EXPENDITURES:</u> | |
| General Government (excludes Depreciation) | 165,087 |
| Public Safety | 10,612 |
| Streets | 24,826 |
| Culture and Recreation | 505 |
| Capital Outlay | 49,951 |
| Total Expenditures | <u>250,981</u> |
| Excess (deficiency) of revenues over (under) expenditures | \$ 122,176 |
| Net Position at beginning of year | <u>221,411</u> |
| NET POSITION AT END OF YEAR | <u><u>\$ 343,587</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 FUND TO THE
 STATEMENT OF ACTIVITIES
 FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

Excess Revenues over Expenditures \$ 122,176

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 capital outlay expenditures over the life of the assets:

| | |
|---|----------|
| Plus Capital assets purchases capitalized | 49,951 |
| Minus Depreciation expense | (74,061) |
| Subtotal | (24,110) |

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 | - |
|-------------------------|---|

| | |
|--|-----------|
| CHANGE IN NET POSITION OF STATEMENT OF ACTIVITIES | \$ 98,066 |
|--|-----------|

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 FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | Budgeted Amounts | Actual Amounts |
|--|---------------------|-------------------|
| <u>REVENUES:</u> | | |
| Ad-valorem Taxes | \$ 57,500 | \$ 59,367 |
| Alcoholic License tax | 600 | 624 |
| Communication Tax | 5,000 | 6,277 |
| Electric franchise & Utility Taxes | 43,000 | 51,102 |
| Fire Public Safety Facilities Fee | 200 | 2,251 |
| Insurance Claims & Refunds | 1,000 | 1,714 |
| Interest earnings | 1,800 | 2,436 |
| Local Gov 1/2 cent tax | 46,000 | 57,359 |
| Local Option Fuel Tax | 37,500 | 41,031 |
| Mobile Home Licenses | 1,000 | 545 |
| Occupational & Business Tax | 900 | 1,011 |
| Okaloosa 1/2 cent tax | - | 33,921 |
| Rents (Elite) | 19,900 | 19,915 |
| State Mowing Contract | 9,693 | 9,693 |
| State Revenue Sharing | 33,500 | 34,702 |
| Traffic Court Fines | 200 | 319 |
| Miscellaneous | | 920 |
| FL Recreation Development Assistance Program (FRDAP) Grant | - | 49,969 |
| Total Revenues | <u>257,793</u> | <u>373,157</u> |
| <u>EXPENDITURES:</u> | | |
| General Governmental Services | 153,847 | 165,087 |
| Public Safety | 15,100 | 10,612 |
| Streets | 79,400 | 24,826 |
| Culture and Recreation | 2,000 | 505 |
| Capital Outlay | - | 49,951 |
| Total Expenditures | <u>250,347</u> | <u>250,981</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 7,446</u> | <u>\$ 122,176</u> |

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

CITY OF LAUREL HILL, FLORIDA
BALANCE SHEET - PROPRIETARY FUND
September 30, 2019

Business-type Activities - Enterprise Funds - Water Fund

ASSETS:

Current Assets:

| | |
|---------------------------------|----------------|
| Cash, Unrestricted | \$ 296,965 |
| Accounts Receivable | 26,900 |
| Total Unrestricted assets | <u>323,864</u> |
| Restricted Assets: | |
| Cash, Customer Deposits | 36,870 |
| Cash, Impact Fees | 66,528 |
| Cash, Sinking and reserve funds | 34,786 |
| Total restricted assets | <u>138,184</u> |
| Total current assets | <u>462,048</u> |

Capital assets:

| | |
|--|--------------------|
| Land | 4,700 |
| Improvements other than buildings | 2,056,407 |
| Machinery and equipment | 114,903 |
| Less accumulated depreciation | <u>(1,517,880)</u> |
| Total capital assets (net of depreciation) | <u>658,131</u> |

| | |
|--------------|---------------------|
| TOTAL ASSETS | <u>\$ 1,120,179</u> |
|--------------|---------------------|

LIABILITIES AND NET POSITION:

Liabilities:

| | |
|---------------------------------|---------------|
| Revenue bonds payable (current) | \$ 17,400 |
| Accrued Interest | 1,307 |
| Customer Deposits | 23,135 |
| Total current liabilities | <u>41,842</u> |

Noncurrent liabilities

| | |
|------------------------------------|----------------|
| Revenue bonds payable (noncurrent) | <u>295,900</u> |
| Total noncurrent liabilities | <u>295,900</u> |

| | |
|-------------------|----------------|
| TOTAL LIABILITIES | <u>337,742</u> |
|-------------------|----------------|

Net Position:

| | |
|---|----------------|
| Invested in capital assets, net of related debt | 343,524 |
| Restricted for revenue bond retirement | 34,786 |
| Restricted for impact fees | 66,528 |
| Restricted for customer deposits | 36,870 |
| Unrestricted | <u>300,729</u> |
| TOTAL NET POSITION | <u>782,437</u> |

| | |
|------------------------------------|---------------------|
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 1,120,179</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 FISCAL YEAR ENDED SEPTEMBER 30, 2019

Business-type Activities - Enterprise Funds - Water Fund

| | |
|--|--------------------------|
| Operating revenues: | |
| Charges for services | \$ 316,159 |
| Operating expenses: | |
| Personal services | 134,879 |
| Materials and supplies | 7,518 |
| Repairs and maintenance | 77,469 |
| Utilities | 15,853 |
| Other operating expenses | 23,279 |
| Depreciation and amortization | 69,291 |
| Total operating expenses | <u>328,289</u> |
| OPERATING INCOME (LOSS) | (12,129) |
| Non-operating revenues (expenses) | |
| Interest income | 3,845 |
| Interest expense | (17,246) |
| Total Non-operating revenues (expenses) | <u>(13,400)</u> |
| INCOME (LOSS) AND CHANGE IN NET POSITION | (25,530) |
| Net Position at beginning of year | <u>807,967</u> |
| NET POSITION AT END OF YEAR | <u><u>\$ 782,437</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 FISCAL YEAR ENDED SEPTEMBER 30, 2019

Business-type Activities - Enterprise Funds - Water Fund

| | Budget | Actual |
|--|-----------------|--------------------|
| <u>Operating revenues:</u> | | |
| Charges for services | \$ 233,275 | \$ 316,159 |
| <u>Operating expenses:</u> | | |
| Personal services | 102,420 | 134,879 |
| Materials and supplies | 9,000 | 7,518 |
| Repairs and maintenance | 42,000 | 77,469 |
| Utilities | 17,400 | 15,853 |
| Other operating expenses | 21,500 | 23,279 |
| Depreciation and amortization | - | 69,291 |
| Total operating expenses | 192,320 | 328,289 |
| <u>OPERATING INCOME (LOSS)</u> | 40,955 | (12,129) |
| <u>Non-operating revenues (expenses)</u> | | |
| Interest income | 2,250 | 3,845 |
| Insurance Claim | - | - |
| Interest expense | (34,000) | (17,246) |
| Total non-operating revenues (expenses) | (31,750) | (13,400) |
| <u>INCOME (LOSS)</u> | <u>\$ 9,205</u> | <u>\$ (25,530)</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 FISCAL YEAR ENDED SEPTEMBER 30, 2019

Business-type Activities - Enterprise Funds - Water Fund

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|---------------|
| Receipts from customers | \$ 316,159 |
| Less: | |
| Payments to employees and contractors | (134,879) |
| Payments for materials and supplies | (7,518) |
| Payments for repairs and maintenance | (77,469) |
| Payments for Utilities | (15,853) |
| Payments for Other operating expenses | (23,279) |
| Net cash provided by operating activities | <u>57,162</u> |

CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES

| | |
|--|-----------------|
| Acquisition of capital assets | (4,782) |
| Principal paid on capital debt | (15,700) |
| Interest paid on capital debt | (17,246) |
| Net cash provided (used) by capital and related financing activities | <u>(37,728)</u> |

CASH FLOWS FROM INVESTING & NON-OPERATING ACTIVITIES

| | |
|---|--------------|
| Interest received | <u>3,845</u> |
| Net cash provided by investing & non-operating activities | <u>3,845</u> |

| | |
|--|--------------------------|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 23,279 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>411,870</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 435,149</u></u> |

CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF :

| | |
|-------------------|--------------------------|
| Unrestricted cash | 296,965 |
| Restricted cash | <u>138,184</u> |
| Total cash | <u><u>\$ 435,149</u></u> |

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

(continued on next page)

CITY OF LAUREL HILL, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

Business-type Activities - Enterprise Funds - Water Fund

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|---|------------------|
| Operating income | \$ (25,530) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Add back Depreciation and amortization | 69,291 |
| add back Interest paid | 17,246 |
| Change in assets and liabilities: | |
| Receivables (increase) decrease | (5,491) |
| Accounts Payable increase (decrease) | - |
| Accrued Interest increase (decrease) | (69) |
| Customer Deposits increase (decrease) | 815 |
| Current Revenue Bonds increase | 900 |
| Net cash provided by operating activities | <u>\$ 57,162</u> |

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

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:

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, 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.

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. 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 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 amounts not contained in other classifications. Unassigned amounts are 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.

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

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

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. Water customer deposits funds are restricted for payment of unpaid water bills. Fire impact fees are restricted to fund fire public safety facilities such as land, building, equipment and facilities. Evaluation and Appraisal Report (EAR) are restricted for funding the EAR study.

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
 AS OF SEPTEMBER 30, 2019

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 | \$ 333,127 | \$ - | \$ 333,127 |
| Fire Impact | 4,826 | 4,826 | |
| Okaloosa County Half Cent Sur-Tax | 33,978 | 33,978 | - |
| General Fund Cash totals | <u>371,931</u> | <u>38,804</u> | <u>333,127</u> |
| | | | |
| <u>Water Fund Cash:</u> | | | |
| Operating | 219,245 | - | 219,245 |
| Customer Deposits | 36,870 | 36,870 | - |
| Impact Funds | 66,528 | 66,528 | - |
| Reserve for USDA loan | 34,786 | 34,786 | - |
| Money Market savings | 77,719 | | 77,719 |
| Water Fund Cash totals | <u>435,149</u> | <u>138,184</u> | <u>296,965</u> |
| | | | |
| <u>Total Cash: General Fund & Water fund</u> | <u>\$ 807,080</u> | <u>\$ 176,988</u> | <u>\$ 630,092</u> |

NOTE D – CAPITAL ASSETS

Depreciation expense was charged to functions/programs as follows:

| | |
|--|---------------|
| <u>Governmental Activities:</u> | |
| Infrastructure | \$ 36,038 |
| Buildings | 20,773 |
| Improvements | 5,407 |
| Machinery & Equipment | <u>11,844</u> |
| Total Depreciation Expense – Governmental Activities | \$ 74,061 |
| | |
| <u>Business Type Activities:</u> | |
| Water Equipment | \$ 57 |
| Water Improvements | <u>69,234</u> |
| Total Depreciation Expense – Business Activities | \$ 69,291 |

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE D - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year was as follows:

| | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <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 | 994,954 | | | 994,954 |
| Improvements other than buildings | 55,393 | 45,169 | | 100,562 |
| Machinery and Equipment | 396,473 | 4,782 | | 401,255 |
| Infrastructure | <u>1,155,542</u> | <u>-</u> | <u>-</u> | <u>1,155,542</u> |
| Total Capital Assets being depreciated | <u>2,602,362</u> | <u>49,951</u> | <u>-</u> | <u>2,652,313</u> |
| Total Cost of Capital Assets | 2,672,259 | 49,951 | - | 2,722,210 |
| Less accumulated depreciation for: | | | | |
| Buildings | (354,881) | (20,773) | | (375,654) |
| Improvements other than buildings | (40,726) | (5,407) | | (46,133) |
| Machinery and Equipment | (321,563) | (11,844) | | (333,407) |
| Infrastructure | <u>(305,165)</u> | <u>(36,038)</u> | <u>-</u> | <u>(341,202)</u> |
| Total Accumulated Depreciation | <u>(1,022,335)</u> | <u>(74,061)</u> | <u>-</u> | <u>(1,096,396)</u> |
| Total capital assets, being depreciated, net | <u>1,580,027</u> | <u>(24,110)</u> | <u>-</u> | <u>1,555,917</u> |
| Governmental activities capital assets, net | <u>\$ 1,649,924</u> | <u>\$ (24,110)</u> | <u>\$ -</u> | <u>\$ 1,625,814</u> |

(continued next page)

CITY OF LAUREL HILL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE D - CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year 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 | 2,056,407 | - | - | 2,056,407 |
| Machinery and Equipment | <u>110,121</u> | <u>4,782</u> | <u>-</u> | <u>114,903</u> |
| Total Capital Assets being depreciated | <u>2,166,528</u> | <u>4,782</u> | <u>-</u> | <u>2,171,311</u> |
| Total Cost of Capital Assets | <u>2,171,228</u> | <u>4,782</u> | <u>-</u> | <u>2,176,011</u> |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | (1,338,468) | (69,234) | - | (1,407,701) |
| Machinery and Equipment | <u>(110,121)</u> | <u>(57)</u> | <u>-</u> | <u>(110,178)</u> |
| Total Accumulated Depreciation | <u>(1,448,589)</u> | <u>(69,291)</u> | <u>-</u> | <u>(1,517,880)</u> |
| Total capital assets, being depreciated, net | <u>717,940</u> | <u>(64,509)</u> | <u>-</u> | <u>653,431</u> |
| Business-type activities capital assets, net | \$ 722,640 | \$ (64,509) | \$ - | \$ 658,131 |

CITY OF LAUREL HILL, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE E – LONG TERM DEBT

The Governmental activities General Fund does not have any long term debt.

The Water Fund has long term debt due to the U.S. Department of Agriculture (USDA). Revenues of the City’s water system are pledged as collateral on the 5.25% 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, 2019

| | Balance <u>Oct. 1, 2018</u> | <u>Additions</u> | <u>Retirements</u> | Balance <u>Sep. 30, 2019</u> | Due within <u>one year</u> | Long Term <u>portion</u> |
|----------------------------------|--------------------------------|------------------|--------------------|---------------------------------|-------------------------------|-----------------------------|
| <u>Governmental Activities:</u> | | | | | | |
| None | \$ - | | \$ - | \$ - | \$ - | \$ - |
| <u>Business Type Activities:</u> | | | | | | |
| Revenue Bonds, Series 1993 | \$ 329,800 | | \$ 16,500 | \$ 313,300 | \$ 17,400 | \$ 295,900 |
| <u>Total - All Funds</u> | <u>\$ 329,800</u> | | <u>\$ 16,500</u> | <u>\$ 313,300</u> | <u>\$ 17,400</u> | <u>\$ 295,900</u> |

CITY OF LAUREL HILL, FLORIDA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE F - GRANT REVENUE

Governmental Activities (General Fund):

In FY2017/FY2018, the City was awarded a \$50,000 grant from the Florida Recreation Development Assistance Program (FRDAP) to fund improvements to the Gene Clary Park, including baseball fields, softball fields, basketball courts, picnic areas, restrooms, playground, parking lot, and fencing. The project was completed in FY2019 and grant funds were received in FY2019. FRDAP Project No. is A17099.

Grant funds were expended with payments to the following vendors

| | |
|---|------------------|
| Dewberry Engineers | \$ 5,500 |
| WECANSHADEIT | 8,500 |
| Diversified General Contractors | 35,969 |
| Total grant funds expended | <u>\$ 49,969</u> |
| | |
| Grant funds received from State of Florida in July 2019 | <u>\$ 49,969</u> |
| Total grant funds received | <u>\$ 49,969</u> |

Business Type Activities:

No grant funds were received for the Water Fund in FY2019.

NOTE G – 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 H – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 18, 2019, the date these financial statements were available to be issued, and no event was deemed to warrant recognition or disclosure.

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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, in accordance with the auditing standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the City of Laurel Hill, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Laurel Hill's basic financial statements and have issued my report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Laurel Hill's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the City of Laurel Hill's internal control.

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

Internal Control Over Financial Reporting (Continued)

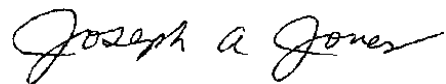
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Laurel Hill's financial statements are free from 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*.

Purpose of this Report

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



Joseph A. Jones, CPA
Crestview, Florida
December 18, 2019

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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, 2019, and I have issued my report thereon dated December 18, 2019.

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 Standards*. Disclosures in that report, which are dated December 18, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings and recommendations in the FY2018 financial audit report. Corrective actions have been taken to address findings and recommendations in the FY2017 financial audit report.

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 a municipality in Okaloosa County, Florida. The City has no component units.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require me to apply appropriate procedures and communicate 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 to identify the specific condition(s) met. In connection with my 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.b. and 10.556(8), Rules of the Auditor General, I applied financial condition assessment procedures for the City of Laurel Hill. 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.

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

Special District Component Units

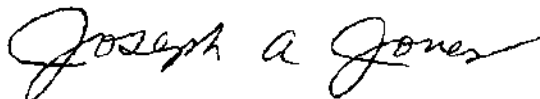
Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that I communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with my audit, I determined that the City of Laurel Hill has no component units.

Additional Matters

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

Purpose of this Letter

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, 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
December 18, 2019

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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA
STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES**

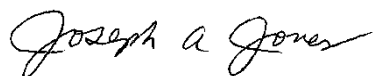
The Honorable Mayor and Members
of the City Council, City of Laurel Hill, Florida

I have examined the City of Laurel Hill, Florida's (the City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. My responsibility is to express an opinion on the City's compliance based on my examination.

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

In my opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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



Joseph A. Jones, CPA
Crestview, Florida
December 18, 2019