

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2013

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2013

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## INTRODUCTORY SECTION

CITY OF LAKE BUTLER, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2013

MAYOR	Lonnie Normal
VICE MAYOR	Jimmy Beasley
CITY COMMISSION	Fred Sirmones
	LeRoy Stalvey
	Randy Jenkins
CITY MANAGER	David Mecusker
CITY ATTORNEY	John E. Maines, IV

## FINANCIAL STATEMENTS



**Powell & Jones**  
Certified Public Accountants

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To the City Commission  
City of Lake Butler  
Lake Butler, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Lake Butler (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Butler, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

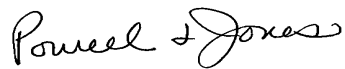
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lake Butler's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, on our consideration of the City of Lake Butler's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lake Butler's internal control over financial reporting and compliance.



POWELL & JONES  
Certified Public Accounts  
February 7, 2014

CITY OF LAKE BUTLER, FLORIDA  
Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the City of Lake Butler (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

#### Report Layout

The City has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first two statements are condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as law enforcement and fire control, public works, parks and recreation, library, community development and general governmental administration. The City's water, sewer, and solid waste management services are reported as business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

#### *Basic Financial Statements*

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long been reported capital assets and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the City's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City has four major governmental funds which are presented in separate columns. A budgetary comparison is presented for each of the governmental funds. Statements for the City's proprietary fund follow the governmental funds and include net position, revenue, expenses and changes in net position, and cash flows.

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.
- The MD&A is intended to serve as an introduction to the City's basic financial statements and to explain the significant changes in financial position and differences in operations between the current and prior years.

City as a Whole

*Government-wide Financial Statements*

Net Position at September 30, 2013 and 2012

	Governmental Activities	Business-type Activities	Total Government	
			2013	2012
<b>Assets</b>				
Cash and cash equivalents	\$ 1,020,046	\$ 584,724	\$ 1,604,770	\$ 1,471,102
Other assets	78,248	120,564	198,812	191,189
Capital assets	1,914,208	1,878,442	3,792,650	4,019,195
<b>Total assets</b>	<b>3,012,502</b>	<b>2,583,730</b>	<b>5,596,232</b>	<b>5,681,486</b>
<b>Liabilities</b>				
Current liabilities	40,587	171,197	211,784	227,613
Long term liabilities	19,496	1,230,781	1,250,277	1,322,590
<b>Total liabilities</b>	<b>60,083</b>	<b>1,401,978</b>	<b>1,462,061</b>	<b>1,550,203</b>
<b>Net assets</b>				
Invested in capital assets, net				
of related debt	1,914,208	577,760	2,491,968	2,670,621
Restricted	119,269	187,002	306,271	97,152
Restricted - road projects	377,618	-	377,618	377,240
Unrestricted	541,324	416,990	958,314	986,270
<b>Total net assets</b>	<b>\$ 2,952,419</b>	<b>\$ 1,181,752</b>	<b>\$ 4,134,171</b>	<b>\$ 4,131,283</b>

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

Restricted assets consist of earmarked funds of \$119,269 in the community redevelopment program, \$377,618 for street improvements, and \$187,002 in the City's Proprietary Fund.

The City's net position increased \$2,888 over the year. This increase is primarily due to a physical assessment of capital assets in the Utility Fund and Governmental Fund that resulted in a prior period adjustment.

The following schedule provides a summary of the changes in net position. The decrease in Governmental Activities net position is due primarily to depreciation of capital assets. The decrease during the year through Business-type Activities net position is due to depreciation of capital assets.

A condensed version of the Statement of Activities follows:

Change in Net Position  
For the Fiscal Years Ended September 30, 2013 and 2012

	Governmental	Business-type	Total Government	
	Activities	Activities	2013	2012
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 79,084	\$ 1,268,979	\$ 1,348,063	\$ 1,407,550
Grants and contributions	210,471	-	210,471	414,005
General revenues				
Taxes	355,162	-	355,162	350,281
Franchise fees	121,511	-	121,511	123,170
State shared revenues	121,598	-	121,598	118,911
Interest	1,069	422	1,491	1,494
Rents, royalties and other	31,630	4,172	35,802	22,837
Loss on disposals	(7,482)	(14,528)	(22,010)	-
<b>Total revenues</b>	<b>913,043</b>	<b>1,259,045</b>	<b>2,172,088</b>	<b>2,438,248</b>
<b>Expenses</b>				
General government	385,619	-	385,619	370,190
Public safety	140,685	-	140,685	132,577
Physical environment	1,044	-	1,044	-
Transportation	203,436	-	203,436	217,919
Economic environment	175	-	175	38,397
Human services	10,476	-	10,476	17,704
Culture/recreation	186,669	-	186,669	182,813
Interest on long-term debt	-	62,194	62,194	67,034
Water	-	344,586	344,586	255,632
Garbage services	-	124,850	124,850	821,420
Sewer	-	712,897	712,897	116,461
<b>Total expenses</b>	<b>928,104</b>	<b>1,244,527</b>	<b>2,172,631</b>	<b>2,220,147</b>
Transfers in (out)	160,590	(160,590)	-	-
Change in net position	145,529	(146,072)	(543)	218,121
Beginning net position	2,769,285	1,361,998	4,131,283	3,913,162
Prior period adjustment	37,605	(34,174)	3,431	-
<b>Ending net position</b>	<b>\$ 2,952,419</b>	<b>\$ 1,181,752</b>	<b>\$ 4,134,171</b>	<b>\$ 4,131,283</b>

Governmental activities:

Taxes provide 39% of the revenues for Governmental Activities, while franchise fees provide 13%. Most of the Governmental Activities resources are spent for General Government (42%), Culture/recreation (20%), and Transportation (22%).

Business-type activities:

Business-type activities decreased the City's net position by \$146,072. This decrease is primarily due to the depreciation of capital assets.

Budgetary Highlights

The City operated substantially within its budgetary appropriations during the current year.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2013, the City had \$3.79 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, roads, bridges and water and sewer facilities. This amount represents a net decrease (additions, deductions, and depreciation) of \$226,545 or 5.6% less than last year. This decrease was primarily attributable to the depreciation expense charges for the year.

Capital Assets at September 30, 2013 and 2012

	Governmental		Business-type		Totals	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Land	\$ 84,551	\$ 84,551	\$ 541,813	\$ 541,813	\$ 626,364	\$ 626,364
CIP	57,826	-	-	-	57,826	-
Buildings	2,716,575	2,548,056	135,000	135,000	2,851,575	2,683,056
Improvements	15,287,431	15,272,708	5,506,822	5,566,916	20,794,253	20,839,624
Equipment	555,795	650,928	225,064	280,353	780,859	931,281
Subtotal	18,702,178	18,556,243	6,408,699	6,524,082	25,110,877	25,080,325
Accumulated depreciation	(16,787,970)	(16,785,273)	(4,530,257)	(4,275,857)	(21,318,227)	(21,061,130)
Capital assets, net	<u>\$ 1,914,208</u>	<u>\$ 1,770,970</u>	<u>\$ 1,878,442</u>	<u>\$ 2,248,225</u>	<u>\$ 3,792,650</u>	<u>\$ 4,019,195</u>

Debt Outstanding

At year-end, the City had \$1,300,682 in debt outstanding versus \$1,382,336 last year, a decrease of \$81,654.

## Debt Outstanding at September 30, 2013 and 2012

	Governmental		Business-type		Totals	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenue bonds	\$ -	\$ -	\$ 1,151,000	\$ 1,199,000	\$ 1,151,000	\$ 1,199,000
Loan payable	-	-	149,682	183,336	149,682	183,336
	-	-	1,300,682	1,382,336	1,300,682	1,382,336
Compensated absences	22,936	24,726	16,955	22,313	39,891	47,039
Total	<u>\$ 22,936</u>	<u>\$ 24,726</u>	<u>\$ 1,317,637</u>	<u>\$ 1,404,649</u>	<u>\$ 1,340,573</u>	<u>\$ 1,429,375</u>

More detailed information on the City long-term liabilities is presented in the notes to the financial statements.

### OTHER FINANCIAL INFORMATION

#### Economic Factors and Rates

- The current unemployment rate for Union County was 6.0%. This rate represents a decrease over the prior year rate of 6.7%.
- The official population for the City in 2013 was 2,123 and is estimated to be approximately the same in 2014.
- The ad valorem tax rate for the City was 2.2599 mills in 2013.

#### Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Manager at 200 SW First Street, Lake Butler, Florida 32054.

## BASIC FINANCIAL STATEMENTS

CITY OF LAKE BUTLER, FLORIDA  
STATEMENT OF NET POSITION  
September 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,020,046	\$ 397,722	\$ 1,417,768
Accounts receivable - net	14,413	67,955	82,368
Due from other governmental units	18,719	47,541	66,260
Due from other funds	45,116	5,068	50,184
Total current assets	<u>1,098,294</u>	<u>518,286</u>	<u>1,616,581</u>
Noncurrent assets			
Restricted assets			
Cash	-	186,331	186,331
Cash with paying agent	-	671	671
Total restricted assets	<u>-</u>	<u>187,002</u>	<u>187,002</u>
Capital assets - net	<u>1,914,208</u>	<u>1,878,442</u>	<u>3,792,650</u>
Total assets	<u><u>3,012,502</u></u>	<u><u>2,583,730</u></u>	<u><u>5,596,232</u></u>
<b>LIABILITIES</b>			
Current liabilities payable from current assets			
Accounts payable	\$ 13,453	\$ 2,730	\$ 16,183
Accrued liabilities	196	145	341
Due to other funds	23,498	8,256	31,754
Notes payable, current	-	35,313	35,313
Accrued compensated absences	3,440	2,543	5,983
Total current liabilities payable from current assets	<u>40,587</u>	<u>48,987</u>	<u>89,574</u>
Current liabilities payable from restricted assets			
Accrued interest payable	-	4,835	4,835
Deposits	-	68,375	68,375
Current portion serial bonds	-	49,000	49,000
Total current liabilities payable from restricted assets	<u>-</u>	<u>122,210</u>	<u>122,210</u>
Noncurrent liabilities			
Note payable	-	114,369	114,369
Serial bonds payable	-	1,102,000	1,102,000
Accrued compensated absences	19,496	14,412	33,908
Total noncurrent liabilities	<u>19,496</u>	<u>1,230,781</u>	<u>1,250,277</u>
Total liabilities	<u>60,083</u>	<u>1,401,978</u>	<u>1,462,061</u>
<b>NET POSITION</b>			
Invested in capital assets net of related debt	1,914,208	577,760	2,491,968
Restricted for:			
Road projects	377,618	-	377,618
Other purposes	119,269	187,002	306,271
Unrestricted	<u>541,324</u>	<u>416,990</u>	<u>958,314</u>
Total net position	<u>2,952,419</u>	<u>1,181,752</u>	<u>4,134,171</u>
Total liabilities and net position	<u><u>\$ 3,012,502</u></u>	<u><u>\$ 2,583,730</u></u>	<u><u>\$ 5,596,232</u></u>

See notes to financial statements.



**CITY OF LAKE BUTLER, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 385,619	\$ 14,732	\$ -	\$ -	\$ (370,887)	\$ -	\$ (370,887)
Public safety	140,685	-	-	169,368	28,683	-	28,683
Physical environment	1,044	-	-	-	(1,044)	-	(1,044)
Transportation	203,436	64,352	-	-	(139,084)	-	(139,084)
Economic environment	175	-	-	-	(175)	-	(175)
Human services	10,476	-	-	-	(10,476)	-	(10,476)
Culture/recreation	186,669	-	-	41,103	(145,566)	-	(145,566)
<b>Total governmental activities</b>	<b>928,104</b>	<b>79,084</b>	<b>-</b>	<b>210,471</b>	<b>(638,549)</b>	<b>-</b>	<b>(638,549)</b>
<b>Business-type activities</b>							
Water services	344,586	391,796	-	-	-	47,210	47,210
Garbage and solid waste services	124,850	146,867	-	-	-	22,017	22,017
Sewer services	712,897	730,316	-	-	-	17,419	17,419
Interest on long-term debt	62,194	-	-	-	-	(62,194)	(62,194)
<b>Total business-type activities</b>	<b>1,244,527</b>	<b>1,268,979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,452</b>	<b>24,452</b>
<b>Total government</b>	<b>\$ 2,172,631</b>	<b>\$ 1,348,063</b>	<b>\$ -</b>	<b>\$ 210,471</b>	<b>(638,549)</b>	<b>24,452</b>	<b>(614,097)</b>
<b>General revenues</b>							
					114,154	-	114,154
					121,511	-	121,511
					122,092	-	122,092
					118,916	-	118,916
					121,598	-	121,598
					1,069	422	1,491
					31,630	4,172	35,802
					(7,482)	(14,528)	(22,010)
					160,590	(160,590)	-
					<b>784,078</b>	<b>(170,524)</b>	<b>613,554</b>
					\$ 145,529	\$ (146,072)	\$ (543)
					2,769,285	1,361,998	4,131,283
					37,605	(34,174)	3,431
					<b>\$ 2,952,419</b>	<b>\$ 1,181,752</b>	<b>\$ 4,134,171</b>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2013

	Special Revenue Funds			Capital Project Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Downtown Development	Street Improvement	Community Development Block Grant		
<b>ASSETS</b>						
Current assets						
Cash	\$ 523,159	\$ 119,169	\$ 377,618	\$ 100	\$ -	\$ 1,020,046
Accounts receivable	14,413	-	-			14,413
Due from state	8,719	10,000	-			18,719
Due from other funds	26,686	-	-	-	18,430	45,116
<b>Total assets</b>	<b>\$ 572,977</b>	<b>\$ 129,169</b>	<b>\$ 377,618</b>	<b>\$ 100</b>	<b>\$ 18,430</b>	<b>\$ 1,098,294</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 3,453	\$ 10,000	\$ -	\$ -	\$ -	\$ 13,453
Accrued liabilities	196	-	-			196
Due to other funds	5,068	-	-	-	18,430	23,498
<b>Total liabilities</b>	<b>8,717</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>18,430</b>	<b>37,147</b>
<b>FUND BALANCES</b>						
Restricted	-	119,169	377,618	100	-	496,887
Committed			-			-
Unassigned	564,260	-	-	-	-	564,260
<b>Total fund balances</b>	<b>564,260</b>	<b>119,169</b>	<b>377,618</b>	<b>100</b>	<b>-</b>	<b>1,061,147</b>
<b>Total liabilities and fund balances</b>	<b>\$ 572,977</b>	<b>\$ 129,169</b>	<b>\$ 377,618</b>	<b>\$ 100</b>	<b>\$ 18,430</b>	

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

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

1,914,208

Long-term liabilities are not due in the current period and, therefore, are not reported in the funds

(22,936)

\$ 2,952,419

**CITY OF LAKE BUTLER, FLORIDA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended September 30, 2013**

	General Fund	Special Revenue Funds		Capital Project Fund	Other Governmental Funds	Total Governmental Funds
		Downtown Development	Street Improvement	Community Development Block Grant		
<b>REVENUES</b>						
Taxes	\$ 426,023	\$ 50,650	\$ -	\$ -	\$ -	\$ 476,673
Licenses and permits	14,732	-	-	-	-	14,732
Intergovernmental	121,598	22,673	-	169,368	18,430	332,069
Charges for services	64,352	-	-	-	-	64,352
Miscellaneous	32,204	113	378	-	4	32,699
Total revenue	<u>658,909</u>	<u>73,436</u>	<u>378</u>	<u>169,368</u>	<u>18,434</u>	<u>920,525</u>
<b>EXPENDITURES</b>						
Current expenditures						
General government	369,103	-	-	-	-	369,103
Public safety	112,005	-	-	-	3,495	115,500
Physical environment	1,044	-	-	-	-	1,044
Transportation	175,420	-	-	-	-	175,420
Economic environment	-	175	-	-	-	175
Human services	10,476	-	-	-	-	10,476
Culture/recreation	128,127	-	-	-	-	128,127
Capital outlay						
General government	630	-	-	-	-	630
Public safety	-	-	-	168,518	5,014	173,532
Human services	10,576	-	-	-	-	10,576
Culture/recreation	600	36,396	-	3,000	18,430	58,426
Total expenditures	<u>807,981</u>	<u>36,571</u>	<u>-</u>	<u>171,518</u>	<u>26,939</u>	<u>1,043,009</u>
Excess of revenues over (under) expenditures	<u>(149,072)</u>	<u>36,865</u>	<u>378</u>	<u>(2,150)</u>	<u>(8,505)</u>	<u>(122,484)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	164,683	-	-	-	-	164,683
Interfund transfers out	-	-	-	-	(4,093)	(4,093)
Total other financing sources (uses)	<u>164,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,093)</u>	<u>160,590</u>
Net change in fund balances	15,611	36,865	378	(2,150)	(12,598)	38,106
Fund balances at beginning of year	548,649	82,304	377,240	2,250	12,598	1,023,041
Fund balances at end of year	<u>\$ 564,260</u>	<u>\$ 119,169</u>	<u>\$ 377,618</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 1,061,147</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2013

Net change in fund balances - total government funds		\$	38,106
Amounts reported for governmental activities in the of activities are different because:			
Government funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Expenditures for capital assets	243,164		
Less current year depreciation	(130,049)		
Loss on disposal of assets	<u>(7,482)</u>		105,633
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.			
Net decrease in compensated absences			<u>1,790</u>
Change in net position of governmental activities		\$	<u><u>145,529</u></u>

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE  
STATEMENT OF NET POSITION  
September 30, 2013

	<u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash	\$ 397,722
Accounts receivable	120,137
Allowance for doubtful accounts	(52,182)
Due from other governmental units	47,541
Due from other funds	5,068
Total current assets	<u>518,286</u>
Restricted assets	
Cash	186,331
Cash with paying agent	671
Total restricted assets	<u>187,002</u>
Noncurrent assets	
Fixed assets	
Land	541,813
Improvements other than buildings	5,641,822
Equipment	225,064
Allowance for depreciation	(4,530,257)
Total fixed assets	<u>1,878,442</u>
Total assets	<u>\$ 2,583,730</u>
LIABILITIES	
Current liabilities payable from current assets	
Accounts payable	\$ 2,730
Accrued liabilities	145
Due to other funds	8,256
Current portion of loan payable	35,313
Total current liabilities payable from current assets	<u>46,444</u>
Current liabilities payable from restricted assets	
Accrued interest payable	4,835
Deposits	68,375
Current portion serial bonds	49,000
Total current liabilities payable from restricted assets	<u>122,210</u>
Other liabilities	
Accrued leave payable	<u>16,955</u>
Noncurrent liabilities	
Long-term liabilities	
Loan payable	114,369
Serial bonds payable	1,102,000
Total long-term liabilities	<u>1,216,369</u>
Total liabilities	<u>1,401,978</u>
NET POSITION	
Invested in capital assets net of related debt	577,760
Restricted	187,002
Unrestricted	416,990
Total net position	<u>1,181,752</u>
Total liabilities and net position	<u>\$ 2,583,730</u>

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 For the Fiscal Year Ended September 30, 2013

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	
Water utility services	\$ 382,451
Sewer utility services	727,748
Garbage solid waste services	146,867
Water tap in and connection	2,568
Cut on/off fees	9,345
Miscellaneous	
Other	4,172
Total operating revenues	<u>1,273,151</u>
OPERATING EXPENSES	
Water services	
Personnel services	151,631
Operating expenses	192,955
Total water services	<u>344,586</u>
Sewer services	
Personnel services	201,749
Operating expenses	511,148
Total sewer services	<u>712,897</u>
Garbage and solid waste services	
Operating expenses	124,850
Total operating expenses	<u>1,182,333</u>
Operating income	<u>90,818</u>
NONOPERATING REVENUES (EXPENSES)	
Interest	422
Debt service	(62,194)
Loss on disposals	(14,528)
Total nonoperating revenues (expenses)	<u>(76,300)</u>
Expense before operating transfers	<u>14,518</u>
OPERATING TRANSFERS	
Interfund transfers out	<u>(160,590)</u>
Net loss	(146,072)
Net position, beginning of year	1,361,998
Pror period adjustment	(34,174)

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended September 30, 2013

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers, including cash deposits	\$ 1,316,711
Cash paid to suppliers	(515,081)
Cash paid to employees	(364,913)
Net cash provided by operating activities	<u>436,717</u>
Cash flows from non-capital related financing activities:	
Transfers to other funds	(160,590)
Loan to other fund	(804)
	<u>(161,394)</u>
Cash flows from capital and related financing activities:	
Principal payments	(81,654)
Interest payments	(62,681)
Net cash used for capital and related financing activities	<u>(144,335)</u>
Cash flows from investing activities:	
Investment income	422
Net increase in cash	131,410
Cash, at beginning of year	453,314
Cash, at end of year	<u>\$ 584,724</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	<u>\$ 90,818</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	254,400
Loss on disposals	(48,702)
	<u>205,698</u>
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Fixed assets	115,383
Accounts receivable	35,669
Prepaid expenses	2,000
Due from other governments	4,160
Accounts payable	(13,369)
Accrued liabilities	(6,175)
Customer deposits	7,891
Compensated absences	(5,358)
Total adjustments	<u>345,899</u>
Net cash provided by operating activities	<u>\$ 436,717</u>

CITY OF LAKE BUTLER, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lake Butler (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As provided by GASB 34, the City has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than ten million. The City has implemented all other applicable provisions of this Statement.

A. Reporting Entity - The City of Lake Butler, Florida is a municipality created under Chapter 5507, *Laws of Florida*, 1905, and is governed by a five member City Commission, all of whom are individually elected, who select from among themselves one member to serve as Mayor.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that the following component unit existed which should be included within the reporting entity.

City of Lake Butler Community Redevelopment Agency - This dependent special district was established for the fostering of economic development within the downtown district under Ordinance #96-05. The governing board is the City Commission which also establishes the agency's annual budget. Because this component unit is in substance part of the City's operations, it has been reported on a blended basis in the City's financial statements as a separate special revenue fund.



B. Measurement Focus and Basis of Accounting - The basic financial statements of the City are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the City also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

2. Fund Financial Statements

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

Fund financial statements for the City's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate for governmental and enterprise funds.

**Governmental Funds** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Any non-current portions of long-term receivables (special assessments) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Proprietary Funds** - The City's Water and Sewer Enterprise Fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The City applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operation revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in

which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The City has used GASB 34 minimum criteria for major fund determination. The City has five major funds and four nonmajor funds.

1. Governmental Major Funds:

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.

Downtown Redevelopment Fund - Used to account for tax increment and other revenues associated with the City's Community Redevelopment Agency and the expenditure of these funds in the redevelopment district.

Street Improvement Fund - used to account for expenditures associated with the City's street paving program.

Community Development Block Grant Fund - Established by the City to administer its Community Development Block Grant Program, which was awarded the City by the Department of Economic Opportunity to assist in construction of a fire station.

2. Proprietary Major Fund:

Enterprise Fund - The Enterprise Fund accounts for the revenues, expenses, assets, and liabilities associated with the City operated water, sewer, and solid waste disposal services.

3. Special Revenue Nonmajor Fund:

Fire Station Fund – Used to account for expenditures associated with the City's Fire Station.

4. Capital Projects Nonmajor Funds:

Florida Boating Fund - Established by the City to administer the Boat Access Program Grants awarded by the Department of the Interior, Fish and Wildlife Service, and the Florida Boating Improvement Program Grant awarded by the Florida Fish and Wildlife Conservation Commission for the purpose of renovating the lake boat ramp.

5. Non-current Governmental Assets/Liabilities:

GASB Statement 34 requires non-current governmental assets, such as land and building, and non-current governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net position.

#### D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.
2. Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2013, the City's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.
3. Allowance for Doubtful Accounts - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2013, this allowance account totaled \$52,182 based upon prior collection history. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered to be fully collectible as reported at September 30, 2013.
4. Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
5. Inventories - The costs of governmental inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any such inventory type goods on hand at year end would not be material.
6. Restricted Assets - As applicable, year to year, certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.  
  
The fund balance related to the City Community Redevelopment Agency is also classified as restricted due to legal limitations on the use of these funds.
7. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.
8. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City, as well as of component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and improvements	40
Machinery and equipment	5 - 10
Street and related infrastructure	20 - 40

9. Capitalization of Interest - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the City did not have any capitalized interest.
10. Deferred Revenues - Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. During the current period, the City did not have any deferred revenues.
11. Accrued Compensated Absences - The City accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
12. Capital Contributions - Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.
13. Fund Balances -

A. Governmental Funds

As of September 30, 2013, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Commission. The Commission is the highest level of decision making authority for the Commission. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Commission.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the Commission may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2013, fund balances are composed of the following:

	<u>General Fund</u>
Restricted, transportation	\$ 377,618
Restricted, community redevelopment	119,269
Unassigned	<u>564,260</u>
	<u>\$ 1,061,147</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spend first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spend first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commission has provided otherwise in its commitment or assignment actions.

#### B. Proprietary Funds

Restrictions of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses.

As of September 30, 2013, net position balances are composed of the following:

	<u>Amount</u>
Invested in capital assets, net	\$ 577,760
Restricted - debt service	187,002
Unrestricted	<u>416,990</u>
	<u>\$ 1,181,752</u>

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

A. Explanation of Differences Between the Governmental Funds Balance Sheet and the Government -wide Statement of Net Position.

"Total fund balances" of the City's governmental funds \$1,061,147 differs from "net position" of governmental activities \$2,952,419 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 18,702,178
Accumulated depreciation	(16,787,970)
Total	<u>\$ 1,914,208</u>

Long-term debt transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2013, were:

Compensated absences	<u>\$ 22,936</u>
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CITY OF LAKE BUTLER, FLORIDA

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

A. Explanation of Differences Between the Governmental Fund Balance and the Government-wide Statement of Net Position

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,020,046	\$ -	\$ -	\$ 1,020,046
Accounts receivable, net	14,413	-	-	14,413
Due from other governments	18,719	-	-	18,719
Due from other funds	45,116	-	-	45,116
Capital assets, net	-	1,914,208	-	1,914,208
<b>Total assets</b>	<b>1,098,294</b>	<b>1,914,208</b>	<b>-</b>	<b>3,012,502</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	13,453	-	-	13,453
Accrued liabilities	196	-	-	196
Due to other funds	23,498	-	-	23,498
Accrued compensated absences	-	-	22,936	22,936
<b>Total liabilities</b>	<b>37,147</b>	<b>-</b>	<b>22,936</b>	<b>60,083</b>
<b>Fund balance</b>	<b>1,061,147</b>	<b>1,914,208</b>	<b>(22,936)</b>	<b>2,952,419</b>
<b>Total liabilities and fund balance/net position</b>	<b>\$ 1,098,294</b>	<b>\$ 1,914,208</b>	<b>\$ -</b>	<b>\$ 3,012,502</b>



B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for governmental funds \$38,106 differs from the "change in net position" for governmental activities \$145,529 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charges for the year.

Capital outlay	\$ 243,164
Depreciation expense	(130,049)
Loss on disposal of assets	<u>(7,482)</u>
Difference	<u>\$ 105,633</u>

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net decrease in compensated absences	<u>\$ 1,790</u>
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## CITY OF LAKE BUTLER, FLORIDA

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

#### B. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities
<b>REVENUES</b>				
Taxes	\$ 476,673	\$ -	\$ -	\$ 476,673
Licenses and permits	14,732	-	-	14,732
Intergovernmental	332,069	-	-	332,069
Charges for services	64,352	-	-	64,352
Miscellaneous	32,699	-	-	32,699
Total revenue	<u>920,525</u>	<u>-</u>	<u>-</u>	<u>920,525</u>
<b>EXPENDITURES</b>				
Current expenditures				
General government	369,103	18,306	(1,790)	385,619
Public safety	115,500	25,185	-	140,685
Physical environment	1,044	-	-	1,044
Transportation	175,420	28,016	-	203,436
Economic environment	175	-	-	175
Human services	10,476	-	-	10,476
Culture/recreation	128,127	58,542	-	186,669
Capital outlay				
General government	630	(630)	-	-
Public safety	173,532	(173,532)	-	-
Human services	10,576	(10,576)	-	-
Culture/recreation	58,426	(58,426)	-	-
Loss on disposal of assets	-	7,482	-	7,482
Total expenditures	<u>1,043,009</u>	<u>(105,633)</u>	<u>(1,790)</u>	<u>935,586</u>
Excess of revenues over (under) expenditures	<u>(122,484)</u>	<u>105,633</u>	<u>1,790</u>	<u>(15,061)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	164,683	-	-	164,683
Interfund transfers out	(4,093)	-	-	(4,093)
Total other financing sources (uses)	<u>160,590</u>	<u>-</u>	<u>-</u>	<u>160,590</u>
Net change in fund balances/net position	38,106	105,633	1,790	145,529
Fund balances/net position at beginning of year	1,023,041	1,770,970	(24,726)	2,769,285
Prior period adjustment	-	37,605	-	37,605
Fund balances/net position at end of year	<u>\$ 1,061,147</u>	<u>\$ 1,914,208</u>	<u>\$ (22,936)</u>	<u>\$ 2,952,419</u>

### NOTE 3. LEGAL COMPLIANCE --BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the City Commission through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the City Commission.
5. Budgets for all City funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Commission. Individual amendments were not material in relation to the original appropriations which were amended.

### NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the City deposits totaling \$1,604,099 were insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the City is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. At year end, all invested funds consisted of bank cash accounts which were fully insured or collateralized. These deposits are classified as Category 1 in accordance with GASB Standard No. 3, "Deposits with Financial Institutions, Investments, and Reserve Repurchase Agreements."

### NOTE 5. PROPERTY TAX REVENUES

All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified by the County Property Appraiser. The County Tax Collector mails to each property owner on the assessment roll a notice of taxes levied by the City and other governmental entities in the County. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible personal property become delinquent taxes, including applicable tax certificate sales, tax deed sales, and tangible personal property seizure and sales are provided for by the laws of Florida. Due to those collection procedures, no material amounts of delinquent taxes were due the City at year end. Collections of City taxes and remittances are accounted for in the County Tax Collector's office.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Prior Period Adjustment	Additions	Deletions	Ending Balance
<u>Governmental activities:</u>					
Capital assets:					
Land	\$ 84,551	\$ -	\$ -	\$ -	\$ 84,551
CIP	-	-	57,826	-	57,826
Buildings	2,548,057	-	168,519	-	2,716,576
Other improvements	15,272,708	-	14,723	-	15,287,431
Machinery and equipment	650,928	-	2,096	(97,229)	555,795
Total capital assets	18,556,244	-	243,164	(97,229)	18,702,179
Less accumulated depreciation	(16,785,274)	37,605	(130,049)	89,747	(16,787,971)
Governmental activities capital assets, net	<u>\$ 1,770,970</u>	<u>\$ 37,605</u>	<u>\$ 113,115</u>	<u>\$ (7,482)</u>	<u>\$ 1,914,208</u>
<u>Business-type activities:</u>					
Land	\$ 541,813	\$ -	\$ -	\$ -	\$ 541,813
Buildings	135,000	-	-	-	135,000
Improvements other than buildings	5,566,916	(44,539)	-	(15,555)	5,506,822
Machinery and equipment	280,353	(28,739)	-	(26,550)	225,064
Total capital assets	6,524,082	(73,278)	-	(42,105)	6,408,699
Less accumulated depreciation	(4,275,857)	39,103	(321,079)	27,576	(4,530,257)
Business-type activities capital assets, net.	<u>\$ 2,248,225</u>	<u>\$ (34,175)</u>	<u>\$ (321,079)</u>	<u>\$ (14,529)</u>	<u>\$ 1,878,442</u>

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

Governmental activities:	
General Government	\$ 18,306
Public Safety	25,185
Transportation	28,016
Parks and recreation	58,542
Total depreciation expense - governmental entities	<u>\$ 130,049</u>
Business-type activities:	
Water and sewer utility	<u>\$ 321,079</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2013.

Fund	Receivable	Payable
General	\$ 26,686	\$ 5,068
Florida Boating	-	18,430
Proprietary	5,068	8,256
	<u>\$ 31,754</u>	<u>\$ 31,754</u>

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2013, consisted of the following:

Fund	Transfers in	Transfers out
General	\$ 164,683	\$ -
Florida Boating	-	4,093
Enterprise	-	160,590
	<u>\$ 164,683</u>	<u>\$ 164,683</u>

Transfers were used for grant matching fund reimbursements and capital projects.

NOTE 9. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2013, were as follows:

	Account	Due from Others/ Governmental Units	Total Receivables
Governmental activities:	\$ 14,413	\$ 18,719	\$ 33,132
Business-type activities:	67,955	47,541	115,496
	<u>\$ 82,368</u>	<u>\$ 66,260</u>	<u>\$ 148,628</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$52,182.

Payables

Payables at September 30, 2013, were as follows:

	Vendors	Due to Other Governmental Units	Total Payables
Governmental activities:	\$ 13,453	\$ -	\$ 13,453
Business-type activities:	2,730	-	2,730
	<u>\$ 16,183</u>	<u>\$ -</u>	<u>\$ 16,183</u>

NOTE 10. LONG-TERM LIABILITIES

Governmental Activities

Summary of changes in governmental activities long-term liabilities

The following summarizes the changes in the City's governmental long-term liabilities during the year ended September 30, 2013:

	Balance October 1, 2012	Increases	Decreases	Balance September 30, 2013
Compensated Absences	\$ 24,726	\$ -	\$ (1,790)	\$ 22,936

Business-type Activities

A summary of proprietary fund debt as of September 30, 2013, follows:

Water and Sewer Revenue Bonds 1980 - Gross revenues of the water and sewer system primarily, and secondarily the City's proceeds of its utility services taxes and guaranteed entitlement portion of State Revenue Sharing are pledged to service this debt. The outstanding balance at September 30, 2013, is \$188,000. The remaining bonds mature annually from September 1, 2009 through September 1, 2019, at averaged payments of \$37,000, including interest at 5%.

Water and Sewer Revenue Bonds 1998 - Gross revenues of the water and sewer system primarily, and secondarily the City's proceeds of its utility services taxes are pledged to service this debt. The outstanding balance at September 30, 2013, is \$963,000. The remaining bonds mature annually from September 1, 2006 through September 1, 2037, at averaged payments of \$66,391, including interest at 4.5%.

Reserve Funds - The following reserves are required to be maintained for the revenue bonds:

Water and Sewer Revenue Bonds 1980 - A reserve is required by the bond ordinance to accumulate sufficient funds to be used for: (a) repair and replacement of the water system due to catastrophe, (b) constructing improvements to increase net revenues of the Enterprise Fund, and (c) payment of any principal and interest if the funds of the Sinking Fund are insufficient. The reserve is maintained by transferring monthly from the revenue account \$310, until a maximum amount of \$37,200 is attained. This reserve was fully funded at September 30, 2013.

Water and Sewer Revenue Bonds 1998 - A reserve is required by the bond ordinance to accumulate sufficient funds to be used for: (a) repair and replacement of the water system due to catastrophe, (b) constructing improvements to increase net revenues of the Enterprise Fund, and (c) payment of any principal and interest if the funds of the Sinking Fund are insufficient. The reserve is maintained by transferring monthly from the revenue account \$560, until a maximum amount of \$67,148 is attained. This reserve was fully funded at September 30, 2013.

Revenue bond debt service requirements to maturity, including \$675,681 of interest, are as follows:

Fiscal Year Ending September 30	1980 Bonds	1998 Bonds	Total
2014	\$ 36,700	\$ 66,335	\$ 103,035
2015	37,400	66,184	103,584
2016	37,000	66,333	103,333
2017	36,550	66,095	102,645
2018	37,050	66,925	103,975
2019-2023	48,200	332,599	380,799
2024-2028	-	332,888	332,888
2029-2033	-	332,294	332,294
2034-2037	-	264,128	264,128
	<u>\$ 232,900</u>	<u>\$ 1,593,781</u>	<u>\$ 1,826,681</u>

Loan Payable – On May 19, 2006, the City closed on a loan agreement with Mercantile Bank, now TD Bank, in the amount of \$450,000. The proceeds of this loan were used to construct a sewer system lift station. The City is paying 180 equal monthly principal and interest payments on the principal amount, as reduced by each monthly payment at a continued 4.5% interest rate. This loan is secured by pledged Half-Cent Sales Tax revenues. Future debt service requirements are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2014	\$ 35,313	\$ 5,997	\$ 41,310
2015	36,935	4,375	41,310
2016	38,632	2,678	41,310
2017	38,802	-	38,802
	<u>\$ 149,682</u>	<u>\$ 13,050</u>	<u>\$ 162,732</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2012	Increases	Decreases	Balance September 30, 2013	Due Within One Year
Bonds payable	\$ 1,199,000	\$ -	\$ (48,000)	\$ 1,151,000	\$ 49,000
Loans payable	183,336	-	(33,654)	149,682	35,313
<b>Compensated absences</b>	22,313	-	(5,358)	16,955	2,543
	<u>\$ 1,404,649</u>	<u>\$ -</u>	<u>\$ (87,012)</u>	<u>\$ 1,317,637</u>	<u>\$ 86,856</u>

## NOTE 11. RETIREMENT PROGRAMS

### Florida Retirement System

Most employees working in regularly established positions of the City are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapter 121 and 122, *Florida Statutes*, Chapter 112, Part IV, *Florida Statutes*, Chapter 238, *Florida Statutes*, and Florida Retirement System Rules, Chapter 605, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the plan provides vesting of benefits after six years of creditable service for those enrolled prior to July 1, 2011; for those enrolled on or after July 1, 2011, eight years of creditable service are required for vesting. Regular members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service for those enrolled before July 1, 2011; and age 65 or 33 years of service for those enrolled on or after July 1, 2011. The Plan also includes an early retirement provision, but imposes a penalty of 5% for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, *Florida Statutes*, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. Once the DROP period ends, the employee must terminate employment. At that time, the employee will receive the accumulated DROP benefits and begin receiving monthly retirement benefits. Eligible members may participate in DROP when they are vested and have reached the normal retirement age of years of service. If an employee completes 30 years of service before the age of 57, the employee may elect to defer the DROP election until age 57.

The State of Florida establishes contribution rates for participating employers. Contribution rates at the end of 2012-13 fiscal year were as follows:

Class or Plan	Percent of Gross Salary (A)
Florida Retirement System, Regular	6.95%
Florida Retirement System, Special Risk	19.06%
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	12.84%
Florida Retirement System, Reemployed Retiree	(B)
Notes: (A) Employer rates include 1.20 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Public Employee Optional Retirement Program.	
(B) Contribution rates are dependent upon retirement class or plan in which reemployed.	

In addition, employee participants contribute 3.00% of their salary to the Plan.

The City's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the City. The City's contributions for the fiscal years ended September 30, 2011, September 30, 2012, and September 30, 2013 totaled \$44,622, \$27,644, and \$30,251, respectively, which were equal to the required contributions for each fiscal year.

Financial statements and other supplementary information of the FRS are included in the State of Florida Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.



#### NOTE 12. ECONOMIC DEPENDENCY

The State of Florida, Department of Corrections, Lake Butler Reception and Medical Center (RMC) is a major utility customer of the City. For the year ended September 30, 2013, the RMC facility accounted for approximately 62% of the City's sewer revenues and 50% of its water revenues. The City and the Florida Department of Corrections have a long-term agreement whereby the City would provide water supply for a minimum of twenty years, and waste water treatment services for a minimum of forty years, to the RMC facility.

#### NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Accidental Death and Dismemberment
- Employee Dishonesty Bond

#### NOTE 14. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City has been advised that it may become a party to four lawsuits alleging property damage and personal injury. Although the City may incur expenses relating to these potential lawsuits, the City Attorney believes that any adverse outcomes would not have a material financial effect on the City.

#### NOTE 15. PRIOR PERIOD ADJUSTMENT

The City has recorded a prior period adjustment of \$3,431, increasing net position and capital assets overall. This adjustment is net of a \$37,605 increase of net position and capital assets of governmental activities, and a decrease of \$34,174 of net position and capital assets of business-type activities. This is a result of a physical assessment of fixed assets to correct misclassifications of prior years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE BUTLER, FLORIDA

GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Ad Valorem taxes				
Current	\$ 64,500	\$ 63,323	\$ 63,504	\$ 181
Sales and use taxes				
Local option gas tax/alternative fuel	34,000	32,200	32,600	400
Discretionary sales tax	78,000	89,500	86,316	(3,184)
Franchise fees				
Electricity	115,000	107,000	121,511	14,511
Utility service taxes				
Electricity	28,475	28,475	31,424	2,949
Gas	5,500	4,000	4,027	27
Communications services tax	83,100	83,100	86,641	3,541
Total taxes	<u>408,575</u>	<u>407,598</u>	<u>426,023</u>	<u>18,425</u>
Licenses and permits				
Professional and occupational				
City occupational licenses	5,500	6,000	8,232	2,232
Other licenses and permits	2,500	4,175	6,500	2,325
Total licenses and permits	<u>8,000</u>	<u>10,175</u>	<u>14,732</u>	<u>4,557</u>
Intergovernmental				
Federal payments in lieu of taxes				
Union County Housing Authority	2,000	3,411	3,411	-
State shared revenues				
General government				
State revenue sharing	\$ 54,000	\$ 57,500	\$ 59,309	1,809
Municipal gas tax	23,000	21,520	19,821	(1,699)
Mobile home licenses	1,500	1,200	1,076	(124)
Alcoholic beverage licenses	600	500	471	(29)
Local government half-cent sales tax	40,000	40,000	37,510	(2,490)
Total intergovernmental	<u>121,100</u>	<u>124,131</u>	<u>121,598</u>	<u>(2,533)</u>
Charges for services				
Transportation				
Street maintenance	63,641	64,169	64,352	183
Total charges for services	<u>63,641</u>	<u>64,169</u>	<u>64,352</u>	<u>183</u>
Miscellaneous				
Interest	550	450	574	124
Rents and royalties				
Community Center	23,000	18,200	17,062	(1,138)
Other rentals	2,000	2,000	1,975	(25)
Contributions	1,000	1,195	1,395	200
Public safety	50	50	90	40
Other	3,775	13,238	11,108	(2,130)
Total miscellaneous	<u>30,375</u>	<u>35,133</u>	<u>32,204</u>	<u>(2,929)</u>
Total revenues	<u>631,691</u>	<u>641,206</u>	<u>658,909</u>	<u>17,703</u>

CITY OF LAKE BUTLER, FLORIDA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Legislative				
Personnel services	\$ 63,754	\$ 66,776	\$ 65,294	1,482
Operating expenses	7,704	10,470	10,282	188
Total legislative	<u>71,458</u>	<u>77,246</u>	<u>75,576</u>	<u>1,670</u>
Executive				
Personnel services	96,939	103,161	103,158	3
Operating expenses	6,490	7,227	4,003	3,224
Total executive	<u>103,429</u>	<u>110,388</u>	<u>107,161</u>	<u>3,227</u>
Financial and administrative				
Personnel services	74,852	79,342	82,660	(3,318)
Operating expenses	59,914	50,701	52,746	(2,045)
Capital outlay	1,200	1,200	630	570
Total financial and administrative	<u>135,966</u>	<u>131,243</u>	<u>136,036</u>	<u>(4,794)</u>
Legal counsel				
Operating expenses	19,000	25,450	26,507	(1,057)
	<u>19,000</u>	<u>25,450</u>	<u>26,507</u>	<u>(1,057)</u>
Other general government				
Personnel services	14,885	14,885	14,884	
Operating expenses	9,500	10,750	9,569	1,181
Total other general government	<u>24,385</u>	<u>25,635</u>	<u>24,453</u>	
Total general government	<u>354,238</u>	<u>369,962</u>	<u>369,733</u>	<u>227</u>
Public safety				
Law enforcement				
Operating expenses	55,000	55,000	55,000	-
Total law enforcement	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>
Fire control				
Personnel services	11,623	11,623	12,154	(531)
Operating expenses	24,371	26,579	27,716	(1,137)
Capital outlay	45,492	1,493	-	1,493
Total fire control	<u>81,486</u>	<u>39,695</u>	<u>39,870</u>	<u>(175)</u>
Other public safety				
Personnel services	17,555	17,598	17,135	463
Total public safety	<u>154,041</u>	<u>112,293</u>	<u>112,005</u>	<u>287</u>
Physical environment				
Operating expense	1,191	1,044	1,044	
Total physical environment	<u>1,191</u>	<u>1,044</u>	<u>1,044</u>	<u>-</u>
Transportation				
Roads and streets				
Personnel services	73,274	74,768	75,593	(825)
Operating expenses	89,209	103,088	99,827	3,261
Total transportation	<u>162,483</u>	<u>177,856</u>	<u>175,420</u>	<u>2,437</u>

CITY OF LAKE BUTLER, FLORIDA

GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the Fiscal Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Human services				
Animal control				
Personnel services	3,994	4,010	4,052	(42)
Operating expenses	4,246	3,867	3,607	260
Capital outlay	4,500	9,710	10,576	(866)
Mosquito control				
Operating expenses	3,947	3,300	2,817	
Total human services	<u>16,687</u>	<u>20,887</u>	<u>21,052</u>	<u>(648)</u>
Culture/recreation				
Parks and recreation				
Personnel services	36,885	38,061	38,459	(398)
Operating expenses	69,340	72,073	81,668	(9,595)
Capital outlay	1,500	1,629	600	1,029
Grants and aids	8,000	8,000	8,000	-
Total culture and recreation	<u>115,725</u>	<u>119,763</u>	<u>128,727</u>	<u>(8,965)</u>
Total expenditures	<u>804,365</u>	<u>801,805</u>	<u>807,981</u>	<u>(6,662)</u>
Excess of revenues over (under) expenditures	(172,674)	(160,599)	(149,072)	11,527
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	<u>172,674</u>	<u>160,599</u>	<u>164,683</u>	<u>4,084</u>
	<u>172,674</u>	<u>160,599</u>	<u>164,683</u>	<u>4,084</u>
Net change in fund balance	-	-	15,611	15,611
Fund balance at beginning of year	<u>548,649</u>	<u>548,649</u>	<u>548,649</u>	<u>-</u>
Fund balance at end of year	<u>\$ 548,649</u>	<u>\$ 548,649</u>	<u>\$ 564,260</u>	<u>\$ 15,611</u>

# CITY OF LAKE BUTLER, FLORIDA

## DOWNTOWN REDEVELOPMENT FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Advalorem taxes				
Current	\$ 48,000	\$ 50,650	\$ 50,650	\$ -
Intergovernmental	-	-	22,673	22,673
Miscellaneous				
Interest	100	100	113	13
Total revenues	<u>48,100</u>	<u>50,750</u>	<u>73,436</u>	<u>22,686</u>
<b>EXPENDITURES</b>				
Economic environment				
Operating expenses	12,250	10,175	175	10,000
Culture/recreation				
Capital outlay	115,850	122,880	36,396	86,484
	<u>128,100</u>	<u>133,055</u>	<u>36,571</u>	<u>96,484</u>
Excess of revenues over (under) expenditures	<u>(80,000)</u>	<u>(82,305)</u>	<u>36,865</u>	<u>119,170</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	80,000	82,305	-	(82,305)
	<u>80,000</u>	<u>82,305</u>	<u>-</u>	<u>(82,305)</u>
Net change in fund balances	-	-	36,865	36,865
Fund balance at beginning of year	82,304	82,304	82,304	-
Fund balance at end of year	<u>\$ 82,304</u>	<u>\$ 82,304</u>	<u>\$ 119,169</u>	<u>\$ 36,865</u>

CITY OF LAKE BUTLER, FLORIDA

STREET IMPROVEMENT FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous				
Interest	\$ 225	\$ 225	\$ 378	\$ (153)
Total revenues	<u>225</u>	<u>225</u>	<u>378</u>	<u>(153)</u>
Excess of revenues over (under) expenditures	<u>225</u>	<u>225</u>	<u>378</u>	<u>153</u>
Net change in fund balance	225	225	378	153
Fund balance at beginning of year	<u>377,240</u>	<u>377,240</u>	<u>377,240</u>	<u>-</u>
Fund balance at end of year	<u>\$ 377,465</u>	<u>\$ 377,465</u>	<u>\$ 377,618</u>	<u>\$ 153</u>

**CITY OF LAKE BUTLER, FLORIDA**  
**COMMUNITY DEVELOPMENT BLOCK GRANT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
 For the Fiscal Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 169,368	\$ 169,368
Miscellaneous				
Interest	50	50	-	(50)
Total revenues	<u>50</u>	<u>50</u>	<u>169,368</u>	<u>169,318</u>
<b>EXPENDITURES</b>				
Capital outlay				
Public safety	-	-	168,518	(168,518)
Culture/recreation	-	-	3,000	(3,000)
	<u>-</u>	<u>-</u>	<u>171,518</u>	<u>(171,518)</u>
Net change in fund balances	50	50	(2,150)	(2,200)
Fund balance at beginning of year	2,250	2,250	2,250	-
Fund balance at end of year	<u>\$ 2,300</u>	<u>\$ 2,300</u>	<u>\$ 100</u>	<u>\$ (2,200)</u>



## COMBINING STATEMENTS

CITY OF LAKE BUTLER, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

September 30, 2013

	Capital Projects Funds		Nonmajor Governmental Funds
	Fire Station	Florida Boating	
<b>ASSETS</b>			
Current assets			
Due from other governments	\$ -	\$ 18,430	\$ 18,430
Total assets	<u>\$ -</u>	<u>\$ 18,430</u>	<u>\$ 18,430</u>
<b>LIABILITIES AND FUND BALANCES</b>			
FUND BALANCES			
LIABILITIES			
Due to other funds	-	18,430	18,430
FUND BALANCES	-	-	-
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 18,430</u>	<u>\$ 18,430</u>

CITY OF LAKE BUTLER, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended September 30, 2013

	Capital Projects Funds		Nonmajor Governmental Funds
	Fire Station	Florida Boating	
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ 18,430	\$ 18,430
Miscellaneous			
Interest	4	-	4
Total revenues	<u>4</u>	<u>18,430</u>	<u>18,434</u>
<b>EXPENDITURES</b>			
Public safety			
Operating expenses	3,495	-	3,495
Capital outlay			-
Public safety	5,014	-	5,014
Culture/recreation	-	18,430	18,430
Total expenditures	<u>8,509</u>	<u>18,430</u>	<u>26,939</u>
Excess of revenues over expenditures	(8,505)	-	(8,505)
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers out	(4,093)	-	(4,093)
	<u>(4,093)</u>	<u>-</u>	<u>(4,093)</u>
Net change in fund balances	(12,598)	-	(12,598)
Fund balances at beginning of year	12,598	-	12,598
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE SECTION

CITY OF LAKE BUTLER, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Fiscal Year Ended September 30, 2013

Grantor and Program Titles	CFDA # CSFA #	Contract Number	Award Amount	Received in Prior Years	Revenue Received or Receivable	Expenditures
Federal Awards						
Non-major Programs						
<i>U.S. Department of Agriculture</i>						
<i>Passed through the Florida Department of</i>						
<i>Agriculture and Consumer Affairs</i>						
Volunteer Fire Grant	10.664	VFA 415	\$ 5,095	\$ -	\$ 5,095	\$ 5,095
 <i>U.S. Department of Housing and Urban Development</i>						
<i>Community Development Block Grant - Passed</i>						
<i>Through Florida Department of Economic Opportunity</i>						
	14.228	11DB-C5-03-73-02-N25	650,000	412,548	192,041	192,041
 <i>Department of the Interior, Fish and Wildlife Service</i>						
<i>Passed through Florida Fish and Wildlife</i>						
<i>Conservation Commission</i>						
Sport Fish Restoration-Boat Access Program	15.605	FL F-161-B	14,573	-	14,573	14,573
Total federal awards			\$ 669,668	\$ 412,548	\$ 211,709	\$ 211,709
 State Financial Assistance						
Non-major Programs						
<i>Florida Fish and Wildlife Conservation Commission</i>						
Florida Boating Improvement Program	77.006	FL F-161-B	\$ 3,857	\$ -	\$ 3,857	\$ 3,857
Total State Financial Assistance			\$ 3,857	\$ -	\$ 3,857	\$ 3,857

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

CITY OF LAKE BUTLER, FLORIDA

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the City of Lake Butler, Florida (the "City") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Circular A-133.

A. Reporting Entity

This reporting entity consists of the City of Lake Butler, Florida, and each of its component units. The City includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the Compliance Section for the purpose of additional analysis.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

C. Grant Awards

As required by OMB Circular A-133, federal grant awards drawn and expended during the year are included in the Schedule of Expenditures of Federal Awards and State Financial Assistance.

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

To the Mayor and Members  
of the City Commission  
City of Lake Butler, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Butler, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Lake Butler, Florida's basic financial statements, and have issued our report thereon dated February 7, 2014.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

2009-1 (Included in second preceding year)  
Financial Statement Preparation

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the City does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in

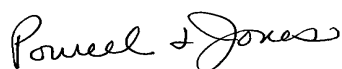
instances where the City is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge or experience to oversee service an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Butler, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

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



POWELL & JONES  
Certified Public Accountants  
February 7, 2014



## MANAGEMENT LETTER

To the Mayor and  
Members of the City Commission  
City of Lake Butler, Florida

In planning and performing our audit of the financial statements of the City of Lake Butler, Florida, for the year ended September 30, 2013, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. In addition to furnishing information required by Chapter 10.550, *Rules of the Auditor General*, and other compliance matters, the remaining sections of this report letter discuss these findings.

### PRIOR YEAR FINDINGS

All prior year findings were substantially corrected during the current year.

### CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

### AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of Lake Butler, for the fiscal year ended September 30, 2013.

Investment of Public Funds - The City complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the fiscal year.

Financial Emergency Status - Nothing came to our attention that caused us to believe that the City had met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(7)(c) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the City of Lake

Butler, Florida, for the year ended September 30, 2013, as provided in the audit requirements for USDA-Rural Development borrowers.

1. Generally accepted auditing procedures were performed in this audit.
2. Internal control was evaluated and is discussed in the prior sections of this audit report.
3. Accounting records and physical control over assets were adequate.
4. The accounting records of the City have been adjusted to agree with the audited financial statements.
5. The City's funds are in institutions insured by the Federal government and are authorized depositories of Florida public funds.
6. A summary of the City's insurance coverage is shown in the annual report to USDA-Rural Development.
7. The City is exempt from Federal Income Tax.
8. We found nothing to indicate that financial compliance with the loan agreements had not occurred.

#### CONCLUSION

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the City. We appreciate the helpful assistance and courtesy afforded us by all City employees and look forward to working with you in the future.



POWELL & JONES  
Certified Public Accountants  
February 7, 2014

# CITY OF LAKE BUTLER

200 S. W. 1<sup>ST</sup> STREET

LAKE BUTLER, FLORIDA 32054-2016

(386) 496-3401 FAX: (386) 496-1588

E-mail: [cityoflakebutler@windstream.net](mailto:cityoflakebutler@windstream.net)

**Powell and Jones**  
**Certified Public Accountants**  
**1359 S.W. Main Blvd.**  
**Lake City, FL 32025**

Mr. Powell and Associates:

In review of the Management Letter submitted February 10, 2014 pertaining to the 2012-2013 Audit of the City of Lake Butler, I offer the following:

## **2009-1** **Financial Statement Preparation**

We agree with this finding. We are a very small government agency and we have used out available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the accrual basis. We likewise have confidence in our audit firm to utilize these records and prepare the City's annual financial statements in the required formats and with all associated note disclosures. Both staff and the City Commission review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the City Commission.

At this time, the City does not believe that it would be a justifiable expense to employ another accountant on either a part time or full time basis to prepare the annual financial statements, thus, we accept this required disclosure finding and will continue to monitor this situation in the future.

We appreciate the professionalism displayed by the auditors of Powell & Jones CPA during this reporting period. It is noted that the prior year findings were substantially corrected during the current year and that there were no reportable findings in the current year.



Dave Mecusker  
City Manager  
City of Lake Butler

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Jimmy Beasley  
MAYOR

Fred Sirmones  
VICE-MAYOR

LeRoy Stalvey  
COMMISSIONER

Randy Jenkins  
COMMISSIONER

John E. Maines, IV.  
CITY ATTORNEY

Dave C Mecusker  
CITY MANAGER/CLERK