

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2015

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2015

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INTRODUCTORY SECTION

CITY OF LAKE BUTLER, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2015

MAYOR

Fred Sirmones

VICE MAYOR

Debra Browning

CITY COMMISSION

Scott Cason

Annette Redman

Randy Jenkins

CITY MANAGER

David Mecusker

CITY ATTORNEY

John E. Maines, IV

FINANCIAL STATEMENTS



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Marian Jones Powell, CPA

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INDEPENDENT AUDITOR'S REPORT

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, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 an opinion 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.

Florida Institute of Certified Public Accountants • American Institute of Certified Public Accountants

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.

Opinion

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, 2015, 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.

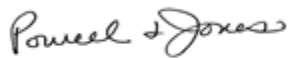
Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2016, 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 Accountants

April 13, 2016

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, 2015 and 2014

	Governmental	Business-type	Total Government	
	Activities	Activities	2015	2014
Assets				
Cash and cash equivalents	\$ 1,029,271	\$ 620,220	\$ 1,649,491	\$ 1,572,911
Other assets	(5,245)	124,417	119,172	160,816
Capital assets	1,850,477	1,294,042	3,144,519	3,550,976
Total assets	2,874,503	2,038,679	4,913,182	5,284,703
Deferred outflows	28,378	32,002	60,380	-
Liabilities				
Current liabilities	14,726	191,142	205,868	120,059
Long term liabilities	167,644	1,212,553	1,380,197	1,288,742
Total liabilities	182,370	1,403,695	1,586,065	1,408,801
Deferred inflows	38,376	43,275	81,651	-
Net position				
Invested in capital assets, net				
of related debt	1,850,477	169,499	2,019,976	2,336,527
Restricted for				
Road projects	355,212	-	355,212	377,996
Other purposes	29,349	214,084	243,433	197,228
Unrestricted	447,097	240,128	687,225	946,151
Total net position	\$ 2,682,135	\$ 623,711	\$ 3,305,846	\$ 3,857,902

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 \$29,349 in the community redevelopment program, \$355,212 for street improvements, and \$214,084 in the City's Proprietary Fund.

The City's net position decreased \$570,056 over the year. The decrease is primarily due to depreciation of capital assets in the Utility Fund and Governmental Fund and new GASB reporting requirements.

The following schedule provides a summary of the changes in net position.

A condensed version of the Statement of Activities follows:

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

	Governmental	Business-type	Total Government	
	Activities	Activities	2015	2014
Revenues				
Program revenues				
Charges for services	\$ 84,155	\$ 1,139,208	\$ 1,223,363	\$ 1,259,586
Grants and contributions	32,290	-	32,290	55,832
General revenues				
Taxes	384,052	-	384,052	369,170
Franchise fees	132,568	-	132,568	132,883
State shared revenues	132,284	-	132,284	121,449
Interest	1,017	551	1,568	1,555
Rents, royalties and other	39,301	7,785	47,086	47,809
Total revenues	<u>805,667</u>	<u>1,147,544</u>	<u>1,953,211</u>	<u>1,988,284</u>
Expenses				
General government	411,508	-	411,508	388,756
Public safety	135,948	-	135,948	147,857
Physical environment	1,822	-	1,822	2,244
Transportation	209,576	-	209,576	212,212
Economic environment	21,313	-	21,313	175
Human services	6,810	-	6,810	40,046
Culture/recreation	205,013	-	205,013	204,423
Interest on long-term debt	-	54,463	54,463	58,560
Water	-	325,104	325,104	322,454
Garbage services	-	119,721	119,721	138,719
Sewer	-	675,265	675,265	699,410
Total expenses	<u>991,990</u>	<u>1,174,553</u>	<u>2,166,543</u>	<u>2,214,856</u>
Transfers in (out)	108,000	(108,000)	-	-
Change in net position	(78,323)	(135,009)	(213,332)	(226,572)
Beginning net position	2,928,119	947,783	3,875,902	4,134,171
Prior period adjustment	(167,661)	(189,063)	(356,724)	(31,697)
Ending net position	<u>\$ 2,682,135</u>	<u>\$ 623,711</u>	<u>\$ 3,305,846</u>	<u>\$ 3,875,902</u>

Governmental activities:

Taxes provide 48% of the revenues for Governmental Activities, while franchise fees provide 16%. Most of the Governmental Activities resources are spent for General Government (42%), Culture/recreation (20%), and Transportation (21%).

Business-type activities:

Business-type activities decreased the City's net position by \$324,072. This decrease is primarily due to the depreciation of capital assets and recording of the net pension liability.

Budgetary Highlights

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

Capital Assets and Debt Administration

Capital Assets

At September 30, 2015, the City had \$3.14 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 \$406,457 or 11.4% less than last year. This decrease was primarily attributable to the depreciation expense charges for the year.

Capital Assets at September 30, 2015 and 2014

	Governmental		Business-type		Totals	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 84,551	\$ 84,551	\$ 541,813	\$ 541,813	\$ 626,364	\$ 626,364
CIP	7,290	-	-	-	7,290	-
Buildings	2,962,761	2,962,761	135,000	135,000	3,097,761	3,097,761
Improvements	15,307,067	15,307,067	5,506,822	5,506,822	20,813,889	20,813,889
Equipment	566,735	558,055	233,150	233,150	799,885	791,205
Subtotal	18,928,404	18,912,434	6,416,785	6,416,785	25,345,189	25,329,219
Accumulated depreciation	(17,077,927)	(16,933,696)	(5,122,743)	(4,844,547)	(22,200,670)	(21,778,243)
Capital assets, net	<u>\$ 1,850,477</u>	<u>\$ 1,978,738</u>	<u>\$ 1,294,042</u>	<u>\$ 1,572,238</u>	<u>\$ 3,144,519</u>	<u>\$ 3,550,976</u>

Debt Outstanding

At year-end, the City had \$1,124,543 in debt outstanding versus \$1,214,450 last year, a decrease of \$89,907.

Debt Outstanding at September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ -	\$ -	\$1,047,000	\$1,100,000	\$1,047,000	\$1,100,000
Loan payable	-	-	77,543	114,450	77,543	114,450
	-	-	1,124,543	1,214,450	1,124,543	1,214,450
Compensated absences	21,863	21,987	13,558	18,355	35,421	40,342
Net Pension liability	149,079	-	168,110	-	317,189	-
Total	\$ 170,942	\$ 21,987	\$1,306,211	\$1,232,805	\$1,477,153	\$1,254,792

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 5.1%. This rate represents a decrease over the prior year rate of 5.6%.
- The official population for the City in 2015 was 1,885 and is estimated to be approximately the same in 2016.
- The ad valorem tax rate for the City was 2.2547 mills in 2015.

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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,029,271	\$ 406,136	\$ 1,435,407
Accounts receivable - net	13,443	49,173	62,616
Due from other governmental units	16,671	39,885	56,556
Internal accounts	(35,359)	35,359	-
Total current assets	1,024,026	530,553	1,554,579
Noncurrent assets			
Restricted assets			
Cash	-	212,712	212,712
Cash with paying agent	-	1,372	1,372
Total restricted assets	-	214,084	214,084
Capital assets - net	1,850,477	1,294,042	3,144,519
Total assets	2,874,503	2,038,679	4,913,182
DEFERRED OUTFLOWS	28,378	32,002	60,380
LIABILITIES			
Current liabilities payable from current assets			
Accounts payable	4,807	7,283	12,090
Accrued liabilities	6,621	5,847	12,468
Notes payable, current	-	36,905	36,905
Accrued compensated absences	3,298	2,753	6,051
Total current liabilities payable from current assets	14,726	52,788	67,514
Current liabilities payable from restricted assets			
Accrued interest payable	-	4,283	4,283
Deposits	-	80,071	80,071
Current portion serial bonds	-	54,000	54,000
Total current liabilities payable from restricted assets	-	138,354	138,354
Noncurrent liabilities			
Note payable	-	40,638	40,638
Serial bonds payable	-	993,000	993,000
Accrued compensated absences	18,565	10,805	29,370
Net pension liability	149,079	168,110	317,189
Total noncurrent liabilities	167,644	1,212,553	1,380,197
Total liabilities	182,370	1,403,695	1,586,065
DEFERRED INFLOWS	38,376	43,275	81,651
NET POSITION			
Invested in capital assets net of related debt	1,850,477	169,499	2,019,976
Restricted for:			
Road projects	355,212	-	355,212
Other purposes	29,349	214,084	243,433
Unrestricted	447,097	240,128	687,225
Total net position	\$ 2,682,135	\$ 623,711	\$ 3,305,846

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

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	
Governmental Activities								
General government	\$ 411,508	\$ 13,765	\$ -	\$ -	\$ (397,743)	\$ -	\$ (397,743)	
Public safety	135,948	-	-	-	(135,948)	-	(135,948)	
Physical environment	1,822	-	-	-	(1,822)	-	(1,822)	
Transportation	209,576	70,390	-	-	(139,186)	-	(139,186)	
Economic environment	21,313	-	-	25,000	3,687	-	3,687	
Human services	6,810	-	-	-	(6,810)	-	(6,810)	
Culture/recreation	205,013	-	-	7,290	(197,723)	-	(197,723)	
Total governmental activities	991,990	84,155	-	32,290	(875,545)	-	(875,545)	
Business-type activities								
Water services	325,104	299,631	-	-	-	(25,473)	(25,473)	
Garbage and solid waste services	119,721	158,455	-	-	-	38,734	38,734	
Sewer services	675,265	681,122	-	-	-	5,857	5,857	
Interest on long-term debt	54,463	-	-	-	-	(54,463)	(54,463)	
Total business-type activities	1,174,553	1,139,208	-	-	-	(35,345)	(35,345)	
Total government	\$ 2,166,543	\$ 1,223,363	\$ -	\$ 32,290	(875,545)	(35,345)	(910,890)	
					General revenues			
					Ad valorem taxes	119,709	-	119,709
					Franchise fees	132,568	-	132,568
					Utility taxes	127,431	-	127,431
					Sales and use taxes	136,912	-	136,912
					Federal and state shared revenue	132,284	-	132,284
					Interest	1,017	551	1,568
					Miscellaneous	39,301	7,785	47,086
					Transfers in (out)	108,000	(108,000)	-
					Total general revenues	797,222	(99,664)	697,558
					Change in net position	(78,323)	(135,009)	(213,332)
					Net assets beginning	2,928,119	947,783	3,875,902
					Prior period adjustment	-	-	-
					Prior period adjustment	(167,661)	(189,063)	(356,724)
					Net position, ending	\$ 2,682,135	\$ 623,711	\$ 3,305,846

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2015

	Special Revenue Funds			Capital Project Fund		Total Governmental Funds
	General Fund	Downtown Redevelopment	Street Improvement	Community Development Block Grant	Florida Boating	
ASSETS						
Cash	\$ 644,710	\$ 29,249	\$ 355,212	\$ 100	\$ -	\$ 1,029,271
Accounts receivable	13,443	-	-	-	-	13,443
Due from state	16,671	-	-	-	-	16,671
Total assets	\$ 674,824	\$ 29,249	\$ 355,212	\$ 100	\$ -	\$ 1,059,385
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 4,807	\$ -	\$ -	\$ -	\$ -	\$ 4,807
Accrued liabilities	6,621	-	-	-	-	6,621
Due to other funds	35,359	-	-	-	-	35,359
Total liabilities	\$ 46,787	\$ -	\$ -	\$ -	\$ -	\$ 46,787
FUND BALANCES						
Restricted	-	29,249	355,212	100	-	384,561
Unassigned	628,037	-	-	-	-	628,037
Total fund balances	\$ 628,037	\$ 29,249	\$ 355,212	\$ 100	\$ -	\$ 1,012,598
Total liabilities and fund balances	\$ 674,824	\$ 29,249	\$ 355,212	\$ 100	\$ -	

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	1,850,477
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds	28,378
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds	(38,376)
Long-term liabilities are not due in the current period and, therefore, are not reported in the funds	(170,942)
Net position of governmental activities	\$ 2,682,135

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
September 30, 2015

	Special Revenue Funds			Capital Project Funds		Total Governmental Funds
	General Fund	Downtown Redevelopment	Street Improvement	Community Development Block Grant	Florida Boating	
REVENUES						
Taxes	\$ 466,116	\$ 50,504	\$ -	\$ -	\$ -	\$ 516,620
Licenses and permits	13,765	-	-	-	-	13,765
Intergovernmental	164,574	-	-	-	-	164,574
Charges for services	70,390	-	-	-	-	70,390
Miscellaneous	39,885	32	381	20	-	40,318
Total revenue	754,730	50,536	381	20	-	805,667
EXPENDITURES						
Current expenditures						
General government	399,705	-	-	-	713	400,418
Public safety	104,695	-	-	20	-	104,715
Physical environment	1,822	-	-	-	-	1,822
Transportation	163,190	-	23,155	-	-	186,345
Economic environment	-	21,303	10	-	-	21,313
Human services	6,810	-	-	-	-	6,810
Culture/recreation	135,044	-	-	-	-	135,044
Capital outlay						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture/recreation	7,290	-	-	-	-	7,290
Transportation	8,680	-	-	-	-	8,680
Total expenditures	827,236	21,303	23,165	20	713	872,437
Excess of revenues over (under) expenditures	(72,506)	29,233	(22,784)	-	(713)	(66,770)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	108,000	-	-	-	713	108,713
Interfund transfers out	(713)	-	-	-	-	(713)
Total other financing sources (uses)	107,287	-	-	-	713	108,000
Net change in fund balances	34,781	29,233	(22,784)	100	-	41,230
Fund balances at beginning of year	593,256	16	377,996	100	-	971,368
Fund balances at end of year	\$ 628,037	\$ 29,249	\$ 355,212	\$ 100	\$ -	\$ 1,012,598

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, 2015

Net change in fund balances - total government funds		\$ 41,230
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	15,970	
Less current year depreciation	(144,231)	(128,261)
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		(124)
Net increase in pension liability		(46,013)
Net change in pension deferral		54,845
Change in net position of governmental activities		\$ (78,323)

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 September 30, 2015**

	Enterprise Fund
ASSETS	
Current assets	
Cash	\$ 406,136
Accounts receivable	107,673
Allowance for doubtful accounts	(58,500)
Due from other governmental units	39,885
Due from other funds	35,359
Total current assets	530,553
Restricted assets	
Cash	212,712
Cash with paying agent	1,372
Total restricted assets	214,084
Noncurrent assets	
Fixed assets	
Land	541,813
Improvements other than buildings	5,641,822
Equipment	233,150
Allowance for depreciation	(5,122,743)
Total fixed assets	1,294,042
Total assets	2,038,679
DEFERRED OUTFLOWS	32,002
LIABILITIES	
Current liabilities payable from current assets	
Accounts payable	7,283
Accrued liabilities	5,847
Due to other funds	-
Current portion of loan payable	36,905
Total current liabilities payable from current assets	50,035
Current liabilities payable from restricted assets	
Accrued interest payable	4,283
Deposits	80,071
Current portion serial bonds	54,000
Total current liabilities payable from restricted assets	138,354
Other liabilities	
Accrued leave payable	13,558
Noncurrent liabilities	
Long-term liabilities	
Loan payable	40,638
Serial bonds payable	993,000
Net pension liability	168,110
Total long-term liabilities	1,201,748
Total liabilities	1,403,695
DEFERRED INFLOWS	43,275
NET POSITION	
Invested in capital assets net of related debt	169,499
Restricted	214,084
Unrestricted	240,128
Total net position	623,711
Total liabilities and net position	\$ 2,027,406
See notes to financial statements.	

CITY OF LAKE BUTLER, FLORIDA (KIM)

**PROPRIETARY FUND TYPE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2015**

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	
Water utility services	\$ 290,914
Sewer utility services	670,759
Garbage solid waste services	158,455
Water tap in and connection	8,717
Sewer tap in and connection	10,363
Miscellaneous	7,785
Total operating revenues	<u>1,146,993</u>
 OPERATING EXPENSES	
Water services	
Personnel services	148,216
Operating expenses	176,888
Total water services	<u>325,104</u>
 Sewer services	
Personnel services	173,431
Operating expenses	501,834
Total sewer services	<u>675,265</u>
 Garbage and solid waste services	
Operating expenses	119,721
Total operating expenses	<u>1,120,090</u>
 Operating income	<u>26,903</u>
 NONOPERATING REVENUES (EXPENSES)	
Interest revenue	551
Interest expense	(54,463)
Total nonoperating revenues (expenses)	<u>(53,912)</u>
 Expenses before operating transfers	<u>(27,009)</u>
 OPERATING TRANSFERS	
Interfund transfers out	
Water	(33,000)
Sewer	(75,000)
	<u>(108,000)</u>
 Net (loss)	(135,009)
 Net position, beginning of year	947,783
Prior period adjustment	(189,063)
Net position, end of year	<u>\$ 623,711</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
PROPRIETARY FUND TYPE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2015

	Enterprise Fund
Cash flows from operating activities:	
Cash received from customers, including cash deposits	\$ 1,154,896
Cash paid to suppliers	(528,737)
Cash paid to employees	(338,381)
Net cash provided by operating activities	287,778
Cash flows from non-capital related financing activities:	
Interfund transfers	(97,782)
Net cash used in non-capital related financing activities	(97,782)
Cash flows from capital and related financing activities:	
Principal payments	(89,907)
Interest payments	(54,733)
Net cash used in capital and related financing activities	(144,640)
Cash flows from investing activities:	
Investment Income	551
Net increase in cash	45,907
Prior period adjustment	
Cash, at beginning of year	574,313
Cash, at end of year	\$ 620,220
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 26,903
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	278,196
Changes in assets decrease (Increase) and liabilities (decrease) Increase:	
Accounts receivable	215
Due from other governments	(1,075)
Deferred outflows	(18,365)
Accounts payable	(7,416)
Accrued liabilities	(2,257)
Customer deposits	7,688
Compensated absences	(4,796)
Deferred inflows	(43,482)
Net pension liability	52,167
Total adjustments	260,875
Net cash provided by operating activities	\$ 287,778

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

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. 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, 2015, 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, 2015, this allowance account totaled \$58,500 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, 2015.
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:

<u>Assets</u>	<u>Years</u>
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, 2015, 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, 2015, fund balances are composed of the following:

	General Fund
Restricted, transportation	\$ 355,212
Restricted, community redevelopment	29,349
Unassigned	628,037
	<u>\$ 1,012,598</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, 2015, net position balances are composed of the following:

	Amount
Invested in capital assets, net	\$ 169,499
Restricted - debt service	214,084
Unrestricted	240,128
	<u>\$ 623,711</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 \$1,012,598 differs from “net position” of governmental activities \$2,682,135 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	\$ 18,928,404
Accumulated depreciation	(17,077,927)
Total	<u>\$ 1,850,477</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, 2015, were:

Compensated absences	\$ (21,863)
Net pension liability	(149,079)
	<u>\$ (170,942)</u>

Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position in a future period while deferred inflows of resources represent an acquisition of net position in a future period and accordingly, are not reported in the governmental fund statements. However, the statement of net position included those deferred outflows/inflows of resources.

Deferred outflows	\$ 28,378
Deferred inflows	(38,376)
	<u>\$ (9,998)</u>

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	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 1,029,271	\$ -	\$ -	\$ -	\$ 1,029,271
Accounts receivable, net	13,443	-	-	-	13,443
Due from other governments	16,671	-	-	-	16,671
Due from other funds	-	-	-	-	-
Capital assets, net	-	1,850,477	-	-	1,850,477
Total assets	1,059,385	1,850,477	-	-	2,909,862
DEFERRED OUTFLOWS	-	-	28,378	-	28,378
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	4,807	-	-	-	4,807
Accrued liabilities	6,621	-	-	-	6,621
Due to other funds	35,359	-	-	-	35,359
Accrued compensated absences	-	-	-	21,863	21,863
Net pension liability	-	-	-	149,079	149,079
Total liabilities	46,787	-	-	170,942	217,729
DEFERRED INFLOWS	-	-	38,376	-	38,376
FUND BALANCE/NET POSITION					
Fund balance/net position	\$ 1,012,598	\$ 1,850,477	\$ (9,998)	\$ (170,942)	\$ 2,682,135

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

The “net change in fund balances” for governmental funds \$41,230 differs from the “change in net position” for governmental activities \$(78,323) 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	\$ 15,970
Depreciation expense	(144,231)
Difference	<u>\$ (128,261)</u>

Long-term debt related items

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	\$ 124
Net decrease in net pension liability	8,584
Net change in plan deferred outflows/inflows	(54,845)
	<u>\$ (46,137)</u>

Deferred outflows/inflows of resources

Recognition of certain obligations related to prior and subsequent periods are not recognized in governmental funds.

Net increase in deferred outflows	\$ 16,285
Net decrease in deferred inflows	38,560
	<u>\$ 54,845</u>

CITY OF LAKE BUTLER, FLORIDA (KIM)

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	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Activities
REVENUES					
Taxes	\$ 516,620	\$ -	\$ -	\$ -	\$ 516,620
Licenses and permits	13,765	-	-	-	13,765
Intergovernmental	164,574	-	-	-	164,574
Charges for services	70,390	-	-	-	70,390
Miscellaneous	40,318	-	-	-	40,318
Total revenue	805,667	-	-	-	805,667
EXPENDITURES					
Current expenditures					
General government	400,418	19,798	-	(8,708)	411,508
Public safety	104,715	31,233	-	-	135,948
Physical environment	1,822	-	-	-	1,822
Transportation	186,345	23,231	-	-	209,576
Economic environment	21,313	-	-	-	21,313
Human services	6,810	-	-	-	6,810
Culture/recreation	135,044	69,969	-	-	205,013
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Transportation	8,680	(8,680)	-	-	-
Culture/recreation	7,290	(7,290)	-	-	-
Loss on disposal of assets	-	-	-	-	-
Total expenditures	872,437	128,261	-	(8,708)	991,990
Excess of revenues over (under) expenditures	(66,770)	(128,261)	-	8,708	(186,323)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	108,713	-	-	-	108,713
Interfund transfers out	(713)	-	-	-	(713)
Deferred outflows (Inflows)	-	-	54,845	(54,845)	-
Total other financing sources (uses)	108,000	-	54,845	(54,845)	108,000
Net change in fund balances/net position	41,230	(128,261)	54,845	(46,137)	(78,323)
Fund balances/net position at beginning of year	971,368	1,978,738	-	(21,987)	2,928,119
Prior period adjustment	-	-	(64,843)	(102,818)	(167,661)
Fund balances/net position at end of year	\$ 1,012,598	\$ 1,850,477	\$ (9,998)	\$ (170,942)	\$ 2,682,135

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 \$1,660,459 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, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities:</u>				
Capital assets:				
Land	\$ 84,551	\$ -	\$ -	\$ 84,551
CIP	-	7,290	-	7,290
Buildings	2,962,761	-	-	2,962,761
Other improvements	15,307,067	-	-	15,307,067
Machinery and equipment	558,055	8,680	-	566,735
Total capital assets	18,912,434	15,970	-	18,928,404
Less accumulated depreciation	(16,933,696)	(144,231)	-	(17,077,927)
Governmental activities capital assets, net	\$ 1,978,738	\$ (128,261)	\$ -	\$ 1,850,477
<u>Business-type activities:</u>				
Land	\$ 541,813	\$ -	\$ -	\$ 541,813
Buildings	135,000	-	-	135,000
Improvements other than buildings	5,506,822	-	-	5,506,822
Machinery and equipment	233,150	-	-	233,150
Total capital assets	6,416,785	-	-	6,416,785
Less accumulated depreciation	(4,844,547)	(278,196)	-	(5,122,743)
Business-type activities capital assets, net.	\$ 1,572,238	\$ (278,196)	\$ -	\$ 1,294,042

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

Governmental activities:	
General Government	\$ 19,798
Public Safety	31,233
Transportation	23,231
Parks and recreation	69,969
Total depreciation expense - governmental entities	\$ 144,231
Business-type activities:	
Water	\$ 73,901
Sewer	204,295
	\$ 278,196

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2015.

Fund	Receivable	Payable
General	\$ -	\$ 35,359
Enterprise	35,359	-
	<u>\$ 35,359</u>	<u>\$ 35,359</u>

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2015, consisted of the following:

Fund	Transfers in	Transfers out
General	\$ 108,000	\$ -
Enterprise	-	108,000
	<u>\$ 108,000</u>	<u>\$ 108,000</u>

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

NOTE 9. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2015, were as follows:

	Account	Due from Others/ Governmental Units	Total Receivables
Governmental activities:	\$ 13,443	\$ 16,671	\$ 30,114
Business-type activities:	49,173	39,885	89,058
	<u>\$ 62,616</u>	<u>\$ 56,556</u>	<u>\$ 119,172</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$58,500.

Payables

Payables at September 30, 2015, were as follows:

	Vendors
Governmental activities:	\$ 4,807
Business-type activities:	7,283
	<u>\$ 12,090</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, 2015:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015	Due Within One Year
Compensated Absences	\$ 21,987	\$ -	\$ (124)	\$ 21,863	\$ 3,298
Net Pension Liability	-	149,079	-	149,079	-
	<u>\$ 21,987</u>	<u>\$ 149,079</u>	<u>\$ (124)</u>	<u>\$ 170,942</u>	<u>\$ 3,298</u>

Business-type Activities

A summary of proprietary fund debt as of September 30, 2015, 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, 2015, is \$132,000. 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, 2015, is \$915,000. 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, 2015.

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, 2015.

Revenue bond debt service requirements to maturity, including \$571,063 of interest, are as follows:

Fiscal Year Ending September 30	1980 Bonds	1998 Bonds	Total
2016	\$ 37,000	\$ 66,333	\$ 103,333
2017	36,550	66,095	102,645
2018	37,050	66,925	103,975
2019	37,450	66,562	104,012
2020	8,750	66,460	75,210
2021-2025	-	333,151	333,151
2026-2030	-	332,670	332,670
2031-2035	-	331,727	331,727
2035-2040	-	131,340	131,340
	<u>\$ 156,800</u>	<u>\$ 1,461,263</u>	<u>\$ 1,618,063</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
2016	\$ 36,905	\$ 2,678	\$ 39,583
2017	40,638	-	40,638
	<u>\$ 77,543</u>	<u>\$ 2,678</u>	<u>\$ 80,221</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015	Due Within One Year
Bonds payable	\$ 1,100,000	\$ -	\$ (53,000)	\$ 1,047,000	\$ 54,000
Loans payable	114,450	-	(36,907)	77,543	36,905
Compensated absences	18,355	-	(4,797)	13,558	2,753
Net Pension liability	-	168,110	-	168,110	-
	<u>\$ 1,232,805</u>	<u>\$ 168,110</u>	<u>\$ (94,704)</u>	<u>\$ 1,306,211</u>	<u>\$ 93,658</u>

NOTE 11. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Florida Retirement System:

General Information - All of the City's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing,

multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county, government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers’ class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers’ class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special

Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular—7.37% and 7.26%; Special Risk Administrative Support—42.07% and 32.95%; Special Risk—19.82% and 22.04%; Senior Management Service—21.14% and 21.43%; Elected Officers—43.24% and 42.27%; and DROP participants—12.28% and 12.88%. These employer contribution rates include 1.26% and 1.66% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$28,258 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$149,703 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.001159024 percent, which was an increase (decrease) of 0.00009541 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$6,068. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,804	\$ 3,551
Changes in assumptions	9,936	-
Net difference between projected and actual earnings on Pension Plan investments	-	35,672
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	12,522	30,090
Town Pension Plan contributions subsequent to the measurement date	6,775	-
Total	\$ 45,037	\$ 69,313

The deferred outflows of resources related to the Pension Plan, totaling \$6,775 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2016	\$ 27,125
2017	27,125
2018	27,125
2019	(40,425)
2020	(7,850)
Thereafter	(2,049)
	\$ 31,051

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate - Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad U.S. Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation - Mean		2.60%		2.00%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Town's proportionate share of the net pension liability	\$ 387,916	\$ 149,703	\$ (48,528)

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2015, the City reported a payable in the amount of \$0 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.20% and 1.26%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$6,278 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2015, the City reported a liability of \$167,486 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.001642268 percent, which was an increase (decrease) of (0.000003307) percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$10,113. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	13,177	
Net difference between projected and actual earnings on HIS Plan investments	18	
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	-	12,338
Town HIS Plan contributions subsequent to the measurement date	2,148	
Total	\$ 15,343	\$ 12,338

The deferred outflows of resources related to the HIS Plan, totaling \$2,148 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2016	\$ 148
2017	148
2018	148
2019	147
2020	146
Thereafter	119
	\$ 856

Actuarial Assumptions – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	4.29 %

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 4.29%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 4.29%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.29%) or one percentage point higher (5.29%) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
Towns's proportionate share of the net pension liability	\$ 190,482	\$ 167,486	\$ 148,010

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2015, the City reported a payable in the amount of \$0 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the County.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$0 for the fiscal year ended September 30, 2015.

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, 2015, the RMC facility accounted for approximately 56% of the City's sewer revenues and 30% 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 certain lawsuits alleging property damage and other issues. 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 implementation of GASB 68 requires employers participating in cost-sharing defined benefit pension plans to report their proportionate share of the total net pension liability and deferred inflows/outflows of resources for the plan on their government wide financial statements. This resulted in the following adjustments:

Deferred outflows	\$ 25,730
Deferred inflows	(163,693)
Net pension liability	(218,761)
Net position (decrease)	356,724
	<u>\$ -</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad Valorem taxes	\$ 76,628	\$ 67,697	\$ 69,205	\$ 1,508
Sales and use taxes				
Local option gas tax/alternative fuel	33,000	32,800	34,551	1,751
Discretionary sales tax	87,600	102,500	102,361	(139)
Franchise fees				
Electricity	127,000	121,328	132,568	11,240
Utility service taxes				
Electricity	34,500	34,500	34,943	443
Gas	4,000	3,450	2,911	(539)
Communications services tax	85,400	95,500	89,577	(5,923)
Total taxes	<u>448,128</u>	<u>457,775</u>	<u>466,116</u>	<u>8,341</u>
Licenses and permits				
City occupational licenses	8,500	9,000	7,045	(1,955)
Other licenses and permits	4,050	4,125	6,720	2,595
Total licenses and permits	<u>12,550</u>	<u>13,125</u>	<u>13,765</u>	<u>640</u>
Intergovernmental				
Federal payments in lieu of taxes				
Union County Housing Authority	2,200	5,172	5,172	-
State shared revenues				
General government				
State revenue sharing	58,000	57,800	58,742	942
Municipal gas tax	20,500	20,500	20,510	10
Mobile home licenses	1,000	1,000	1,017	17
Alcoholic beverage licenses	500	500	492	(8)
Local government half-cent sales tax	38,500	45,000	46,351	1,351
Grants and aids	-	125,000	32,290	(92,710)
Total Intergovernmental	<u>120,700</u>	<u>254,972</u>	<u>164,574</u>	<u>(90,398)</u>
Charges for services				
Transportation				
Street maintenance	69,731	70,390	70,390	-
Total charges for services	<u>69,731</u>	<u>70,390</u>	<u>70,390</u>	<u>-</u>
Miscellaneous				
Interest	500	500	584	84
Rents and royalties				
Community Center	16,500	15,500	17,071	1,571
Other rentals	7,500	13,250	12,015	(1,235)
Special events	1,000	1,610	0	-
Contributions	1,810	1,736	1,610	(126)
Public safety	400	400	25	(375)
Other	5,000	9,298	8,580	(718)
Total miscellaneous	<u>32,710</u>	<u>42,294</u>	<u>39,885</u>	<u>(2,409)</u>
Total revenues	<u>683,819</u>	<u>838,556</u>	<u>754,730</u>	<u>(83,826)</u>

(continued)

CITY OF LAKE BUTLER, FLORIDA (KIM)
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Legislative				
Personnel services	\$ 70,609	\$ 70,793	\$ 70,362	431
Operating expenses	13,795	41,720	43,689	(1,969)
Total legislative	84,404	112,513	114,051	(1,538)
Executive				
Personnel services	112,427	105,544	105,404	140
Operating expenses	8,604	7,154	6,877	277
Total executive	121,031	112,698	112,281	417
Financial and administrative				
Personnel services	86,895	72,567	64,204	8,363
Operating expenses	44,283	51,118	54,961	(3,843)
Capital outlay	-	360	360	-
Total financial and administrative	131,178	124,045	119,525	4,519
Legal counsel				
Operating expenses	18,200	30,093	29,881	212
	18,200	30,093	29,881	212
Other general government				
Personnel services	15,357	15,367	15,355	12
Operating expenses	11,260	9,660	8,612	1,048
Total other general government	26,617	25,027	23,967	1,060
Total general government	381,430	404,376	399,705	4,658
Public safety				
Law enforcement				
Operating expenses	50,000	55,000	55,000	-
Total law enforcement	50,000	55,000	55,000	-
Fire control				
Personnel services	10,443	11,943	12,265	(322)
Operating expenses	20,283	22,118	20,534	1,584
Capital outlay	-	-	-	-
Total fire control	30,726	34,061	32,799	1,262
Other public safety				
Personnel services	21,440	21,440	16,896	4,544
Total public safety	102,166	110,501	104,695	5,805
Physical environment				
Operating expense	2,339	2,350	1,822	528
Total physical environment	2,339	2,350	1,822	528
Transportation				
Roads and streets				
Personnel services	78,881	76,132	66,507	9,625
Operating expenses	100,889	102,310	96,683	5,627
Capital outlay	16,000	8,680	8,680	-
Total transportation	195,770	187,122	171,870	15,253

(continued)

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Human services				
Animal control				
Personnel services	4,219	3,969	4,214	(245)
Operating expenses	5,550	3,150	1,587	1,563
Capital outlay	-			-
Mosquito control				
Operating expenses	2,600	2,723	1,009	1,714
Total human services	<u>12,369</u>	<u>9,842</u>	<u>6,810</u>	<u>3,032</u>
Culture/recreation				
Parks and recreation				
Personnel services	43,428	43,286	39,894	3,392
Operating expenses	79,066	195,125	95,150	99,975
Capital outlay	3,000	1,500	7,290	(5,790)
Grants and aids	-	-		
Total culture and recreation	<u>125,494</u>	<u>239,911</u>	<u>142,334</u>	<u>97,576</u>
Total expenditures	<u>819,568</u>	<u>954,102</u>	<u>827,236</u>	<u>126,324</u>
Excess of revenues over (under) expenditures	(135,749)	(115,546)	(72,506)	43,040
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	144,000	123,000	108,000	(15,000)
Interfund transfers out	-	-	(713)	(713)
	<u>144,000</u>	<u>123,000</u>	<u>107,287</u>	<u>(15,713)</u>
Net change in fund balance	8,251	7,454	34,781	27,327
Fund balance at beginning of year	593,256	593,256	593,256	-
Fund balance at end of year	<u>\$ 601,507</u>	<u>\$ 600,710</u>	<u>\$ 628,037</u>	<u>27,327</u>

See notes to financial statements.

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Advalorem taxes	\$ 50,504	\$ 50,504	\$ 50,504	\$ -
Intergovernmental	-	-	-	-
Miscellaneous				
Interest	30	30	32	2
Total revenues	<u>50,534</u>	<u>50,534</u>	<u>50,536</u>	<u>2</u>
EXPENDITURES				
Economic environment				
Operating expenses	27,732	27,732	21,303	6,429
Culture/recreation				
Capital outlay	22,802	22,802	-	22,802
	<u>50,534</u>	<u>50,534</u>	<u>21,303</u>	<u>29,231</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>29,233</u>	<u>29,233</u>
Net change in fund balances	-	-	29,233	29,233
Fund balance at beginning of year	16	16	16	-
Fund balance at end of year	<u>\$ 16</u>	<u>\$ 16</u>	<u>\$ 29,249</u>	<u>\$ 29,233</u>

See notes to financial statements.

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous				
Interest	\$ 365	\$ 365	\$ 381	\$ (16)
Total revenues	<u>365</u>	<u>365</u>	<u>381</u>	<u>(16)</u>
EXPENDITURES				
Economic environment				
Operating expenses	-	-	10	(10)
Improvements				
Sidewalk project	23,155	23,155	23,155	-
	<u>23,155</u>	<u>23,155</u>	<u>23,165</u>	<u>(10)</u>
Excess of revenues over (under) expenditures	<u>(22,790)</u>	<u>(22,790)</u>	<u>(22,784)</u>	<u>6</u>
OTHER FINANCING SOURCES (USES)				
Net change in fund balance	(22,790)	(22,790)	(22,784)	6
Fund balance at beginning of year	377,996	377,996	377,996	-
Fund balance at end of year	<u>\$ 355,206</u>	<u>\$ 355,206</u>	<u>\$ 355,212</u>	<u>\$ 6</u>

See notes to financial statements.

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	-	-	20	20
Total revenues	-	-	20	20
EXPENDITURES				
Miscellaneous				
Culture/recreation	-	-	20	(20)
	-	-	20	(20)
Net change in fund balances	-	-	-	-
Fund balance at beginning of year	100	100	100	-
Fund balance at end of year	\$ 100	\$ 100	\$ 100	\$ -

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

**FLORIDA BOATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 82,144	\$ 82,144	\$ -	\$ (82,144)
Miscellaneous				
Interest	-	-	-	-
Total revenues	82,144	82,144	-	(82,144)
EXPENDITURES				
Public safety				
Operating expenses	-	-	713	(713)
Capital outlay	82,144	82,144		82,144
Total expenditures	82,144	82,144	713	81,431
Excess of revenues over expenditures	-	-	(713)	(713)
OTHER FINANCING SOURCES (USES)				
Interfund transfers	-	-	713	713
	-	-	713	713
Net change in fund balances	-	-	-	-
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015**

I. Stewardship, Compliance, and Accountability

- A. Budgetary information.** The City, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The City prepares a tentative budget, which is used by the City at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the City's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the City Commission.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the City Commission, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

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

1. Prior to September 1, the City Manager submits to the City Commission 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 in August and September to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the City Commission may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY OF LAKE BUTLER'S PROPORTINATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*

	2015	2014
City's proportion of the FRS net pension liability (asset)	0.001159024%	0.001063614%
City's proportionate share of the FRS net pension liability (asset)	\$ 149,703	\$ 64,896
City's proportion of the HIS net pension liability (asset)	0.001642268%	0.001645575%
City's proportionate share of the HIS net pension liability (asset)	167,486	153,865
City's proportionate share of the total net pension liability (asset)	\$ 317,189	\$ 218,761
City's covered-employee payroll	\$ 555,381	\$ 547,603
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	57.11%	39.95%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

Note 1) The amounts presented for each year were determined as of the June 30 year end of the Florida Retirement System

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY OF LAKE BUTLER'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS***

	2015	2014
Contractually required FRS contribution	\$ 32,994	\$ 29,341
Contractually required HIS contribution	7,243	6,441
Total Contractually Required Contributions	40,237	35,782
Contributions in relation to the contractually required contribution	(40,237)	(35,782)
Contribution deficiency (excess)	\$ -	\$ -
 Administration's covered-employee payroll	 \$ 555,381	 \$ 547,603
 Contributions as a percentage of covered-employee payroll	 7.24%	 6.53%

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
THE CITY OF LAKE BUTLER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
REQUIRED CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
For the Fiscal Year End September 30, 2015**

Net Pension Liability

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of September 30, 2015, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$ 161,370,735	\$ 10,249,201
Plan fiduciary net position	(148,454,394)	(50,774)
	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>
 Plan fiduciary net position as a percentage of the total pension liability	 92.00%	 0.50%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2013, 2014 and 2015, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2015, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts

applicable for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

Actuarial Methods and Assumptions

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

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.60%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2015:

- **FRS:** There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%
- **HIS:** The municipal bonds rate used to determine total pension liability was decreased from 4.29% to 3.80%.

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, 2015, 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 April 13, 2016.

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. However, material weaknesses may exist that have not been identified.

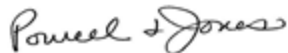
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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.

A handwritten signature in cursive script that reads "Powell & Jones".

POWELL & JONES
Certified Public Accountants
April 13, 2016

CITY OF LAKE BUTLER, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended September 30, 2015

2009-1
Financial Statement Preparation

In prior years we had the following finding:

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 services 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.

Current Status:

This finding was corrected during the current year when the City's Finance Director fully reviewed the prepared financial statements to the extent of taking responsibility for them.

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, 2015, 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

There were no reportable findings in the prior 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, 2015.

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.

Financial Emergency Status - We determined that the City had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

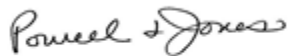
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

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, 2015, 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
April 13, 2016

INDEPENDENT ACCOUNTANT'S REPORT

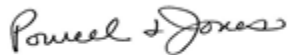
To the Mayor and
Members of the City Commission
City of Lake Butler, Florida

We have examined the City of Lake Butler, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

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



POWELL & JONES
Certified Public Accountants
April 13, 2016

Communication with Those Charged with Governance

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

We have audited the financial statements of the City of Lake Butler, Florida for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lake Butler, Florida are described Note 1 to the financial statements. As described in Note 11 to the financial statements, the City changed accounting policies related to the recognition of their proportionate share of the net pension liability of the Florida Retirement System by adopting Statement of Governmental Accounting Standards (GASB statement) No. 68, Accounting and Financial Reporting for Pension Plans, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the City's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 13, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

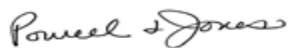
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Commission and management of the City of Lake Butler, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



POWELL & JONES
Certified Public Accountants
April 13, 2016

CITY OF LAKE BUTLER

200 S. W. 1ST STREET

LAKE BUTLER, FLORIDA 32054-2016

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

May 9, 2016

Powell & Jones, CPA
1359 SW Main Blvd
Lake City, FL 32054

Mr. Powell,

The City of Lake Butler acknowledges receipt of our 2014-2015 audit report and notes with pleasure there have been no findings.

The City of Lake Butler continues to work to build strength by monitoring its revenue and expense sources diligently while our management controls provide for the efficient use of resources in accordance with applicable laws, ordinances, and other guidelines. Despite employing a limited amount of staff, Lake Butler continues to stress effective internal operating procedures.

Sincerely,



Dave C. Meeusker

Fred Sirmones
MAYOR

Debra Browning
VICE-MAYOR

Scott Cason
COMMISSIONER

Randy Jenkins
COMMISSIONER

Annette Redman
COMMISSIONER

John E. Maines, IV.
CITY ATTORNEY

Dave C Meeusker
CITY MANAGER/CLERK

"This institution is an equal opportunity provider and employer."