

**CITY OF LAKE BUTLER, FLORIDA**

**ANNUAL FINANCIAL REPORT**

**September 30, 2017**

**CITY OF LAKE BUTLER, FLORIDA**

**ANNUAL FINANCIAL REPORT**

September 30, 2017

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## **INTRODUCTORY SECTION**

**CITY OF LAKE BUTLER, FLORIDA**

**LIST OF PRINCIPAL OFFICIALS**

September 30, 2017

**MAYOR**

Fred Sirmones

**VICE MAYOR**

Scott Cason

**CITY COMMISSION**

Debra Browning

Annette Redman

Jack Schenck

**CITY MANAGER**

David Mecusker

**CITY ATTORNEY**

John E. Maines, IV

## **FINANCIAL STATEMENTS**



**Powell & Jones**  
Certified Public Accountants

Richard C. Powell, Jr., CPA  
Marian Jones Powell, CPA

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Lake City, Florida 32025  
386 / 755-4200  
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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, 2017, 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.

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.

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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, each major fund, and the aggregate remaining fund information of the City of Lake Butler, as of September 30, 2017, 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.

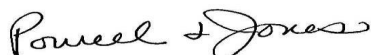
### **Other Matters**

#### ***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 March 21, 2018, 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  
March 21, 2018



**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 on 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 five 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, 2017 and 2016

|   | Governmental        | Business-type     | Total Government    |                     |
|---|---------------------|-------------------|---------------------|---------------------|
|   | Activities          | Activities        | 2017                | 2016                |
| <b>Assets</b>                                   |                     |                   |                     |                     |
| Cash and cash equivalents                       | \$ 1,021,396        | \$ 788,583        | \$ 1,809,979        | \$ 1,671,669        |
| Other assets                                    | 115,033             | 151,781           | 266,814             | 162,212             |
| Capital assets                                  | 1,861,508           | 1,098,000         | 2,959,508           | 2,843,642           |
| Total assets                                    | <u>2,997,937</u>    | <u>2,038,364</u>  | <u>5,036,301</u>    | <u>4,677,523</u>    |
|   |                     |                   | -                   |                     |
| <b>Deferred outflows</b>                        | <u>121,868</u>      | <u>133,170</u>    | <u>255,038</u>      | <u>215,436</u>      |
| <b>Liabilities</b>                              |                     |                   |                     |                     |
| Current liabilities                             | 27,679              | 217,634           | 245,312             | 244,192             |
| Long term liabilities                           | 296,161             | 1,181,045         | 1,477,206           | 1,429,254           |
| Total liabilities                               | <u>323,839</u>      | <u>1,398,679</u>  | <u>1,722,518</u>    | <u>1,673,446</u>    |
| <b>Deferred inflows</b>                         | <u>29,307</u>       | <u>32,025</u>     | <u>61,332</u>       | <u>101,018</u>      |
| <b>Net position</b>                             |                     |                   |                     |                     |
| Invested in capital assets, net of related debt | 1,861,508           | 165,000           | 2,026,508           | 1,811,684           |
| Restricted for                                  |                     |                   |                     |                     |
| Road projects                                   | 332,325             | -                 | 332,325             | 355,568             |
| Other purposes                                  | 47,388              | 234,309           | 281,697             | 359,804             |
| Unrestricted                                    | 525,438             | 341,521           | 866,959             | 591,439             |
| Total net position                              | <u>\$ 2,766,659</u> | <u>\$ 740,830</u> | <u>\$ 3,507,489</u> | <u>\$ 3,118,495</u> |

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 \$47,388 in the community redevelopment program, \$332,325 for street improvements, and \$234,309 in the City's Proprietary Fund.

The City's net position increased \$388,994 over the year. The increase is primarily due to an increase in grants used to make improvements in the Utility Fund and recreational facilities.

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

A condensed version of the Statement of Activities follows:

|                            | <b>Change in Net Position</b>                          |                             |                     |                     |
|----------------------------|--|-----------------------------|---------------------|---------------------|
|                            | For the Fiscal Years Ended September 30, 2017 and 2016 |                             |                     |                     |
|                            | Governmental<br>Activities                             | Business-type<br>Activities | Total Government    |                     |
|                            |  | 2017                        | 2016                |                     |
| <b>Revenues</b>            |  |                             |                     |                     |
| Program revenues           |  |                             |                     |                     |
| Charges for services       | \$ 89,786  | \$ 1,215,649                | \$ 1,305,435        | \$ 1,237,475        |
| Grants and contributions   | 345,487  | -                           | 345,487             | 38,340              |
| General revenues           |  |                             |                     |                     |
| Taxes                      | 355,608  | -                           | 355,608             | 349,049             |
| Franchise fees             | 132,953  | -                           | 132,953             | 129,132             |
| State shared revenues      | 147,618  | -                           | 147,618             | 138,108             |
| Interest                   | 558  | 674                         | 1,232               | 1,760               |
| Rents, royalties and other | 54,093   | 5,129                       | 59,222              | 51,928              |
| Total revenues             | <u>1,126,103</u>                                       | <u>1,221,452</u>            | <u>2,347,555</u>    | <u>1,945,792</u>    |
| <b>Expenses</b>            |  |                             |                     |                     |
| General government         | 349,251  | -                           | 349,251             | 352,205             |
| Public safety              | 152,076  | -                           | 152,076             | 148,833             |
| Physical environment       | -  | -                           | -                   | 103                 |
| Transportation             | 209,938  | -                           | 209,938             | 191,156             |
| Economic environment       | 22,527   | -                           | 22,527              | 43,101              |
| Human services             | 10,843   | -                           | 10,843              | 10,899              |
| Culture/recreation         | 162,463  | -                           | 162,463             | 191,431             |
| Interest on long-term debt | -  | 44,756                      | 44,756              | 50,494              |
| Water                      | -  | 355,947                     | 355,947             | 324,400             |
| Garbage services           | -  | 130,312                     | 130,312             | 149,580             |
| Sewer                      | -  | 520,448                     | 520,448             | 632,271             |
| Total expenses             | <u>907,098</u>   | <u>1,051,463</u>            | <u>1,958,561</u>    | <u>2,094,473</u>    |
| Transfers in (out)         | <u>(80,924)</u>  | <u>80,924</u>               | <u>-</u>            | <u>-</u>            |
| Change in net position     | 138,081  | 250,913                     | 388,994             | (148,681)           |
| Beginning net position     | 2,628,578  | 489,917                     | 3,118,495           | 3,305,846           |
| Prior period adjustment    | -  | -                           | -                   | (38,670)            |
| Ending net position        | <u>\$ 2,766,659</u>                                    | <u>\$ 740,830</u>           | <u>\$ 3,507,489</u> | <u>\$ 3,118,495</u> |

Governmental activities:

Taxes provide 31.5% of the revenues for Governmental Activities, while franchise fees provide 11.8% and grants provided 30.7%. Most of the Governmental Activities resources are spent for General Government 38.5%, Culture/recreation 17.9%, and Transportation 23.14%.

**Business-type activities:**

Business-type activities increased the City's net position by \$250,913.

**Budgetary Highlights**

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

**Capital Assets and Debt Administration**

**Capital Assets**

At September 30, 2017, the City had \$2.96 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 increase (additions, deductions, and depreciation) of \$115,866 or 4.07% more than last year. This increase was primarily attributable grant funded capital projects.

**Capital Assets at September 30, 2017 and 2016**

|                          | Governmental        |                     | Business-type       |                     | Totals              |                     |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                          | Activities          |                     | Activities          |                     |                     |                     |
|                          | 2017                | 2016                | 2017                | 2016                | 2017                | 2016                |
| Land                     | \$ 84,551           | \$ 84,551           | \$ 541,813          | \$ 541,813          | \$ 626,364          | \$ 626,364          |
| CIP                      | 40,337              | 37,434              | 169,924             | -                   | 210,261             | 37,434              |
| Buildings                | 2,962,761           | 2,962,761           | 153,795             | 153,795             | 3,116,556           | 3,116,556           |
| Improvements             | 15,490,607          | 15,307,067          | 5,506,822           | 5,506,822           | 20,997,429          | 20,813,889          |
| Equipment                | 600,353             | 596,252             | 243,800             | 243,800             | 844,153             | 840,052             |
| Subtotal                 | 19,178,609          | 18,988,065          | 6,616,154           | 6,446,230           | 25,794,763          | 25,434,295          |
| Accumulated depreciation | (17,317,101)        | (17,213,801)        | (5,518,154)         | (5,376,852)         | (22,835,255)        | (22,590,653)        |
| Capital assets, net      | <u>\$ 1,861,508</u> | <u>\$ 1,774,264</u> | <u>\$ 1,098,000</u> | <u>\$ 1,069,378</u> | <u>\$ 2,959,508</u> | <u>\$ 2,843,642</u> |

**Debt Outstanding**

At year-end, the City had \$933,000 in debt outstanding versus \$1,031,958 last year, a decrease of \$98,958.

## Debt Outstanding at September 30, 2017 and 2016

|                       | Governmental<br>Activities |                   | Business-type<br>Activities |                    | Totals             |                    |
|-----------------------|----------------------------|-------------------|-----------------------------|--------------------|--------------------|--------------------|
|                       | 2017                       | 2016              | 2017                        | 2016               | 2017               | 2016               |
| Revenue bonds         | \$ -                       | \$ -              | \$ 933,000                  | \$ 993,000         | \$ 933,000         | \$ 993,000         |
| Loan payable          | -                          | -                 | -                           | 38,958             | -                  | 38,958             |
|                       | -                          | -                 | 933,000                     | 1,031,958          | 933,000            | 1,031,958          |
| Compensated absences  | 22,850                     | 20,217            | 8,991                       | 11,857             | 31,841             | 32,074             |
| Net Pension liability | 276,738                    | 219,734           | 283,780                     | 246,231            | 560,518            | 465,965            |
| <b>Total</b>          | <b>\$ 299,588</b>          | <b>\$ 239,951</b> | <b>\$1,225,771</b>          | <b>\$1,290,046</b> | <b>\$1,525,359</b> | <b>\$1,529,997</b> |

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 3.2%. This rate represents a decrease from the prior year rate of 4.7%.
- The official population for the City in 2017 was 1871 and is estimated to be approximately the same in 2018.
- The ad valorem tax rate for the City was 2.3302 mills in 2017.

#### 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, 2017

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>        |
|---|------------------------------------|-------------------------------------|---------------------|
| <b>ASSETS</b>   |                                    |                                     |                     |
| <b>Current assets</b>   |                                    |                                     |                     |
| Cash and cash equivalents                                       | \$ 1,021,396                       | \$ 554,274                          | \$ 1,575,670        |
| Accounts receivable - net                                       | 28,617                             | 73,677                              | 102,294             |
| Due from other governmental units                               | 121,775                            | 42,745                              | 164,520             |
| Internal balances   | (35,359)                           | 35,359                              | -                   |
| <b>Total current assets</b>                                     | <u>1,136,429</u>                   | <u>706,055</u>                      | <u>1,842,484</u>    |
| <b>Noncurrent assets</b>  |                                    |                                     |                     |
| <b>Restricted assets</b>  |                                    |                                     |                     |
| Cash  | -                                  | 106,791                             | 106,791             |
| Cash customer deposits  | -                                  | 127,518                             | 127,518             |
| <b>Total restricted assets</b>                                  | <u>-</u>                           | <u>234,309</u>                      | <u>234,309</u>      |
| <b>Capital assets - net</b>                                     | <u>1,861,508</u>                   | <u>1,098,000</u>                    | <u>2,959,508</u>    |
| <b>Total assets</b>   | <u>2,997,937</u>                   | <u>2,038,364</u>                    | <u>5,036,301</u>    |
| <b>DEFERRED OUTFLOWS</b>  | <u>121,868</u>                     | <u>133,170</u>                      | <u>255,038</u>      |
| <b>LIABILITIES</b>  |                                    |                                     |                     |
| <b>Current liabilities payable from current assets</b>          |                                    |                                     |                     |
| Accounts payable  | 13,538                             | 35,252                              | 48,790              |
| Accrued liabilities   | 10,713                             | 7,669                               | 18,382              |
| Accrued compensated absences                                    | 3,428                              | 1,349                               | 4,776               |
| <b>Total current liabilities payable from current assets</b>    | <u>27,679</u>                      | <u>44,270</u>                       | <u>71,948</u>       |
| <b>Current liabilities payable from restricted assets</b>       |                                    |                                     |                     |
| Accrued interest payable  | -                                  | 3,498                               | 3,498               |
| Deposits  | -                                  | 107,866                             | 107,866             |
| Current portion serial bonds                                    | -                                  | 62,000                              | 62,000              |
| <b>Total current liabilities payable from restricted assets</b> | <u>-</u>                           | <u>173,364</u>                      | <u>173,364</u>      |
| <b>Noncurrent liabilities</b>                                   |                                    |                                     |                     |
| Serial bonds payable  | -                                  | 871,000                             | 871,000             |
| Accrued compensated absences                                    | 19,423                             | 7,642                               | 27,065              |
| Net pension liability   | 276,738                            | 302,403                             | 579,141             |
| <b>Total noncurrent liabilities</b>                             | <u>296,161</u>                     | <u>1,181,045</u>                    | <u>1,477,206</u>    |
| <b>Total liabilities</b>  | <u>323,839</u>                     | <u>1,398,679</u>                    | <u>1,722,518</u>    |
| <b>DEFERRED INFLOWS</b>   | <u>29,307</u>                      | <u>32,025</u>                       | <u>61,332</u>       |
| <b>NET POSITION</b>   |                                    |                                     |                     |
| Invested in capital assets net of related debt                  | 1,861,508                          | 165,000                             | 2,026,508           |
| <b>Restricted for:</b>  |                                    |                                     |                     |
| Road projects   | 332,325                            | -                                   | 332,325             |
| Other purposes  | 47,683                             | 234,309                             | 281,992             |
| Unrestricted  | 525,143                            | 341,521                             | 866,664             |
| <b>Total net position</b>                                       | <u>\$ 2,766,659</u>                | <u>\$ 740,830</u>                   | <u>\$ 3,507,489</u> |

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2017

| Functions/Programs                    | Expenses            | Program Revenues     |                                    |                                  | Net (Expense) Revenues and Changes in Net Position |                            |                     |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|--|----------------------------|---------------------|
|                                       |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                            | Business - type Activities | Total               |
| <b>Governmental Activities</b>        |                     |                      |                                    |                                  |  |                            |                     |
| General government                    | \$ 349,251          | \$ 5,849             | \$ -                               | \$ -                             | \$ (343,402)                                       | \$ -                       | \$ (343,402)        |
| Public safety                         | 152,076             | 2,944                | -                                  | 169,924                          | 20,792   | -                          | 20,792              |
| Physical environment                  | -                   | 3,900                | -                                  | -                                | 3,900  | -                          | 3,900               |
| Transportation                        | 209,938             | 77,093               | -                                  | -                                | (132,845)  | -                          | (132,845)           |
| Economic environment                  | 22,527              | -                    | -                                  | -                                | (22,527)   | -                          | (22,527)            |
| Human services                        | 10,843              | -                    | -                                  | -                                | (10,843)   | -                          | (10,843)            |
| Culture/recreation                    | 162,463             | -                    | 110,193                            | 65,370                           | 13,100   | -                          | 13,100              |
| <b>Total governmental activities</b>  | <b>907,098</b>      | <b>89,786</b>        | <b>110,193</b>                     | <b>235,294</b>                   | <b>(471,825)</b>                                   | <b>-</b>                   | <b>(471,825)</b>    |
| <b>Business-type activities</b>       |                     |                      |                                    |                                  |  |                            |                     |
| Water services                        | 355,947             | 310,488              | -                                  | -                                | -  | (45,459)                   | (45,459)            |
| Garbage and solid waste services      | 130,312             | 180,747              | -                                  | -                                | -  | 50,435                     | 50,435              |
| Sewer services                        | 520,448             | 724,414              | -                                  | -                                | -  | 203,966                    | 203,966             |
| Interest on long-term debt            | 44,756              | -                    | -                                  | -                                | -  | (44,756)                   | (44,756)            |
| <b>Total business-type activities</b> | <b>1,051,463</b>    | <b>1,215,649</b>     | <b>-</b>                           | <b>-</b>                         | <b>-</b>   | <b>164,186</b>             | <b>164,186</b>      |
| <b>Total government</b>               | <b>\$ 1,958,561</b> | <b>\$ 1,305,435</b>  | <b>\$ 110,193</b>                  | <b>\$ 235,294</b>                | <b>(471,825)</b>                                   | <b>164,186</b>             | <b>(307,639)</b>    |
|                                       |                     |                      | <b>General revenues</b>            |                                  |  |                            |                     |
|                                       |                     |                      | Ad valorem taxes                   |                                  | 117,040  | -                          | 117,040             |
|                                       |                     |                      | Franchise fees                     |                                  | 132,953  | -                          | 132,953             |
|                                       |                     |                      | Utility taxes                      |                                  | 87,473   | -                          | 87,473              |
|                                       |                     |                      | Sales and use taxes                |                                  | 151,095  | -                          | 151,095             |
|                                       |                     |                      | Federal and state shared revenue   |                                  | 147,618  | -                          | 147,618             |
|                                       |                     |                      | Interest                           |                                  | 558  | 674                        | 1,232               |
|                                       |                     |                      | Miscellaneous                      |                                  | 54,093   | 5,129                      | 59,222              |
|                                       |                     |                      | Transfers in (out)                 |                                  | (80,924)   | 80,924                     | -                   |
|                                       |                     |                      | <b>Total general revenues</b>      |                                  | <b>609,906</b>                                     | <b>86,727</b>              | <b>696,633</b>      |
|                                       |                     |                      | Change in net position             |                                  | 138,081  | 250,913                    | 388,994             |
|                                       |                     |                      | Net assets beginning               |                                  | 2,628,578  | 489,917                    | 3,118,495           |
|                                       |                     |                      | Net position, ending               |                                  | <b>\$ 2,766,659</b>                                | <b>\$ 740,830</b>          | <b>\$ 3,507,489</b> |

See notes to financial statements.



**CITY OF LAKE BUTLER, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2017**

|                                      | <u>Special Revenue Funds</u> |                                   |                               | <u>Capital Project Fund</u>                      |                            | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------|------------------------------|-----------------------------------|-------------------------------|--|----------------------------|---|
|                                      | <u>General<br/>Fund</u>      | <u>Downtown<br/>Redevelopment</u> | <u>Street<br/>Improvement</u> | <u>Community<br/>Development<br/>Block Grant</u> | <u>Florida<br/>Boating</u> |   |
| <b>ASSETS</b>                        |                              |                                   |                               |  |                            |   |
| Cash                                 | \$ 620,550                   | \$ 44,823                         | \$ 355,923                    | \$ 100   | \$ -                       | \$ 1,021,396                            |
| Accounts receivable                  | 28,617                       | -                                 | -                             | -  | -                          | 28,617                                  |
| Due from State                       | 51,866                       | -                                 | -                             | -  | 69,909                     | 121,775                                 |
| Due from other funds                 | 67,344                       | 2,565                             | -                             | 195  | -                          | 70,104                                  |
| <b>Total assets</b>                  | <u>\$ 768,377</u>            | <u>\$ 47,388</u>                  | <u>\$ 355,923</u>             | <u>\$ 295</u>                                    | <u>\$ 69,909</u>           | <u>\$ 1,241,892</u>                     |
| <b>LIABILITIES AND FUND BALANCES</b> |                              |                                   |                               |  |                            |   |
| <b>LIABILITIES</b>                   |                              |                                   |                               |  |                            |   |
| Accounts payable                     | \$ 13,538                    | \$ -                              | \$ -                          | \$ -   | \$ -                       | \$ 13,538                               |
| Accrued liabilities                  | 10,713                       | -                                 | -                             | -  | -                          | 10,713                                  |
| Due to other funds                   | 35,554                       | -                                 | -                             | -  | 69,909                     | 105,463                                 |
| <b>Total liabilities</b>             | <u>59,805</u>                | <u>-</u>                          | <u>-</u>                      | <u>-</u>   | <u>69,909</u>              | <u>129,714</u>                          |
| <b>FUND BALANCES</b>                 |                              |                                   |                               |  |                            |   |
| Restricted                           | -                            | 47,388                            | 332,325                       | 295  | -                          | 380,008                                 |
| Unassigned                           | 708,572                      | -                                 | 23,598                        | -  | -                          | 732,170                                 |
| <b>Total fund balances</b>           | <u>708,572</u>               | <u>47,388</u>                     | <u>355,923</u>                | <u>295</u>                                       | <u>-</u>                   | <u>1,112,178</u>                        |

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  | 1,861,508           |
| 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  | 121,868             |
| 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 | (29,307)            |
| Long-term liabilities are not due in the current period and, therefore, are not reported in the funds   |                     |
| FRS Pension Liability   | (276,738)           |
| Accrued compensated absences  | (22,850)            |
| <b>Net position of governmental activities</b>  | <u>\$ 2,766,659</u> |

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended September 30, 2017

|  | Special Revenue Funds |                        |                    | Capital Project Funds             |                 | Total Governmental Funds |
|--|-----------------------|------------------------|--------------------|-----------------------------------|-----------------|--------------------------|
|  | General Fund          | Downtown Redevelopment | Street Improvement | Community Development Block Grant | Florida Boating |                          |
| <b>REVENUES</b>                              |                       |                        |                    |                                   |                 |                          |
| Taxes  | \$ 438,247            | \$ 50,314              | \$ -               | \$ -                              | \$ -            | \$ 488,561               |
| Licenses and permits                         | 5,849                 | -                      | -                  | -                                 | -               | 5,849                    |
| Fines  | 2,944                 | -                      | -                  | -                                 | -               | 2,944                    |
| Intergovernmental                            | 257,924               | -                      | -                  | 169,924                           | 65,370          | 493,218                  |
| Charges for services                         | 80,993                | -                      | -                  | -                                 | -               | 80,993                   |
| Miscellaneous                                | 51,243                | 2,625                  | 355                | 315                               | -               | 54,538                   |
| <b>Total revenue</b>                         | <b>837,200</b>        | <b>52,939</b>          | <b>355</b>         | <b>170,239</b>                    | <b>65,370</b>   | <b>1,126,103</b>         |
| <b>EXPENDITURES</b>                          |                       |                        |                    |                                   |                 |                          |
| <b>Current expenditures</b>                  |                       |                        |                    |                                   |                 |                          |
| General government                           | 320,180               | -                      | -                  | -                                 | -               | 320,180                  |
| Public safety                                | 120,052               | -                      | -                  | -                                 | -               | 120,052                  |
| Transportation                               | 191,455               | -                      | -                  | -                                 | -               | 191,455                  |
| Economic environment                         | -                     | 21,764                 | -                  | -                                 | -               | 21,764                   |
| Human services                               | 10,622                | -                      | -                  | -                                 | -               | 10,622                   |
| Culture/recreation                           | 118,694               | -                      | -                  | -                                 | -               | 118,694                  |
| <b>Capital outlay</b>                        |                       |                        |                    |                                   |                 |                          |
| General government                           | 345                   | -                      | -                  | -                                 | -               | 345                      |
| Culture/recreation                           | 105,382               | 15,269                 | -                  | -                                 | -               | 120,651                  |
| Transportation                               | 4,100                 | -                      | -                  | -                                 | -               | 4,100                    |
| Public safety                                | -                     | -                      | -                  | -                                 | 65,447          | 65,447                   |
| <b>Total expenditures</b>                    | <b>870,830</b>        | <b>37,033</b>          | <b>-</b>           | <b>-</b>                          | <b>65,447</b>   | <b>973,310</b>           |
| Excess of revenues over (under) expenditures | (33,630)              | 15,906                 | 355                | 170,239                           | (77)            | 152,793                  |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                       |                        |                    |                                   |                 |                          |
| Interfund transfers in                       | 89,000                | -                      | -                  | -                                 | -               | 89,000                   |
| Interfund transfers out                      | -                     | -                      | -                  | (169,924)                         | -               | (169,924)                |
| <b>Total other financing sources (uses)</b>  | <b>89,000</b>         | <b>-</b>               | <b>-</b>           | <b>(169,924)</b>                  | <b>-</b>        | <b>(80,924)</b>          |
| <b>Net change in fund balances</b>           | <b>55,370</b>         | <b>15,906</b>          | <b>355</b>         | <b>315</b>                        | <b>(77)</b>     | <b>71,869</b>            |
| Fund balances at beginning of year           | 653,202               | 31,482                 | 355,568            | (20)                              | 77              | 1,040,309                |
| <b>Fund balances at end of year</b>          | <b>\$ 708,572</b>     | <b>\$ 47,388</b>       | <b>\$ 355,923</b>  | <b>\$ 295</b>                     | <b>\$ -</b>     | <b>\$ 1,112,178</b>      |

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, 2017

|  |                         |                                 |
|--|-------------------------|---------------------------------|
| <b>Net change in fund balances - total government funds</b>  |                         | <b>\$ 71,869</b>                |
| <b>Amounts reported for governmental activities in the<br/>of activities are different because:</b>  |                         |                                 |
| <b>Government funds report capital outlay as expenditures.<br/>However, in the statement of activities, the cost of those<br/>assets is allocated over their estimated useful lives as<br/>depreciation expense.</b> |                         |                                 |
| <b>    Expenditures for capital assets</b>   | <b>190,543</b>          |                                 |
| <b>    Less current year depreciation</b>  | <b><u>(103,299)</u></b> | <b>87,244</b>                   |
| <br>   |                         |                                 |
| <b>Some expenses reported in the statement of activities do<br/>not require the use of current financial resources, therefore,<br/>are not reported as expenditures in governmental funds.</b>                       |                         |                                 |
| <b>    Net decrease in compensated absences</b>  |                         | <b>(2,633)</b>                  |
| <b>    Net increase in pension liability</b>   |                         | <b>(57,004)</b>                 |
| <b>    Net change in pension deferred outflows and inflows</b>   |                         | <b><u>38,605</u></b>            |
| <b>Change in net position of governmental activities</b>   |                         | <b><u><u>\$ 138,081</u></u></b> |

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 September 30, 2017**

| <b>ASSETS</b>   | <u>Enterprise Fund</u> |
|---|------------------------|
| <b>Current assets</b>   |                        |
| Cash  | \$ 554,274             |
| Accounts receivable   | 104,357                |
| Allowance for doubtful accounts                                 | (30,680)               |
| Due from other governmental units                               | 42,745                 |
| Due from other funds  | 35,359                 |
| <b>Total current assets</b>                                     | <u>706,055</u>         |
| <b>Restricted assets</b>  |                        |
| Cash  | 106,791                |
| Cash customer deposits  | 127,518                |
| <b>Total restricted assets</b>                                  | <u>234,309</u>         |
| <b>Noncurrent assets</b>  |                        |
| <b>Fixed assets</b>   |                        |
| Land  | 541,813                |
| Improvements other than buildings                               | 5,660,617              |
| Construction in progress  | 169,924                |
| Equipment   | 243,800                |
| Allowance for depreciation                                      | (5,518,154)            |
| <b>Total fixed assets</b>                                       | <u>1,098,000</u>       |
| <b>Total assets</b>   | <u>2,038,364</u>       |
| <b>DEFERRED OUTFLOWS</b>  | <u>133,170</u>         |
| <b>LIABILITIES</b>  |                        |
| <b>Current liabilities payable from current assets</b>          |                        |
| Accounts payable  | 35,252                 |
| Accrued liabilities   | 7,669                  |
| <b>Total current liabilities payable from current assets</b>    | <u>42,921</u>          |
| <b>Current liabilities payable from restricted assets</b>       |                        |
| Accrued interest payable  | 3,498                  |
| Deposits  | 107,866                |
| Current portion serial bonds                                    | 62,000                 |
| <b>Total current liabilities payable from restricted assets</b> | <u>173,364</u>         |
| <b>Other liabilities</b>  |                        |
| Accrued leave payable   | 8,991                  |
| <b>Noncurrent liabilities</b>                                   |                        |
| <b>Long-term liabilities</b>                                    |                        |
| Serial bonds payable  | 871,000                |
| Net pension liability   | 302,403                |
| <b>Total long-term liabilities</b>                              | <u>1,173,403</u>       |
| <b>Total liabilities</b>  | <u>1,398,679</u>       |
| <b>DEFERRED INFLOWS</b>   | <u>32,025</u>          |
| <b>NET POSITION</b>   |                        |
| Invested in capital assets net of related debt                  | 165,000                |
| Restricted - debt service                                       | 106,791                |
| Restricted - other purposes                                     | 127,518                |
| Unrestricted  | 341,521                |
| <b>Total net position</b>                                       | <u>\$ 740,830</u>      |

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, 2017**

|   | <u>Enterprise Fund</u> |
|---|------------------------|
| <b>OPERATING REVENUES</b>                     |                        |
| <b>Charges for services</b>                   |                        |
| Water utility services                        | \$ 289,110             |
| Sewer utility services                        | 715,680                |
| Garbage solid waste services                  | 180,747                |
| Water tap in and connection                   | 21,378                 |
| Sewer tap in and connection                   | 8,734                  |
| Miscellaneous                                 | 5,129                  |
| <b>Total operating revenues</b>               | <u>1,220,778</u>       |
| <b>OPERATING EXPENSES</b>                     |                        |
| <b>Water services</b>                         |                        |
| Personnel services                            | 161,477                |
| Operating expenses                            | 194,470                |
| <b>Total water services</b>                   | <u>355,947</u>         |
| <b>Sewer services</b>                         |                        |
| Personnel services                            | 185,986                |
| Operating expenses                            | 334,462                |
| <b>Total sewer services</b>                   | <u>520,448</u>         |
| <b>Garbage and solid waste services</b>       |                        |
| Operating expenses                            | 130,312                |
| <b>Total operating expenses</b>               | <u>1,006,707</u>       |
| <b>Operating income</b>                       | <u>214,071</u>         |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                        |
| Interest revenue                              | 674                    |
| Interest expense                              | (44,756)               |
| <b>Total nonoperating revenues (expenses)</b> | <u>(44,082)</u>        |
| <b>Net income before operating transfers</b>  | <u>169,989</u>         |
| <b>OPERATING TRANSFERS</b>                    |                        |
| Interfund transfer in from CDBG               | 169,924                |
| Interfund transfers out                       |                        |
| Water   | (14,000)               |
| Sewer   | (75,000)               |
|   | <u>80,924</u>          |
| <b>Net income</b>                             | 250,913                |
| <b>Net position, beginning of year</b>        | 489,917                |
| <b>Net position, end of year</b>              | <u>\$ 740,830</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, 2017

|  | <b>Enterprise Fund</b> |
|--|------------------------|
| <b>Cash flows from operating activities:</b>   |                        |
| Cash received from customers, including cash deposits  | \$ 1,223,172           |
| Cash paid to suppliers   | (507,265)              |
| Cash paid for employees and benefits   | (334,835)              |
| <b>Net cash provided by operating activities</b>   | <b>381,072</b>         |
| <br><b>Cash flows from non-capital related financing activities:</b>                               |                        |
| Interfund transfers  | 80,924                 |
| <b>Net cash provided by non-capital related financing activities</b>                               | <b>80,924</b>          |
| <br><b>Cash flows from capital and related financing activities:</b>                               |                        |
| Acquisition of fixed assets  | (169,924)              |
| Principal payments   | (98,958)               |
| Interest payments  | (45,232)               |
| <b>Net cash used in capital and related financing activities</b>                                   | <b>(314,114)</b>       |
| <br><b>Cash flows from investing activities:</b>   |                        |
| Investment income  | 674                    |
| <br><b>Net increase in cash</b>  | <b>148,556</b>         |
| <b>Cash, at beginning of year</b>  | <b>640,027</b>         |
| <b>Cash, at end of year</b>  | <b>\$ 788,583</b>      |
| <br><b>Reconciliation of operating income to net cash provided by operating activities</b>         |                        |
| Operating income   | <b>\$ 214,071</b>      |
| <br><b>Adjustments to reconcile operating income to net cash provided by operating activities:</b> |                        |
| Depreciation   | 141,303                |
| Deferred Inflows   | (21,356)               |
| Deferred outflows  | (19,322)               |
| Net Pension liability  | 56,172                 |
| <br><b>Changes in assets decrease (increase) and liabilities (decrease) increase:</b>              |                        |
| Accounts receivable  | (9,992)                |
| Due from other governments   | (3,298)                |
| Accounts payable   | 13,399                 |
| Accrued liabilities  | (2,723)                |
| Customer deposits  | 15,684                 |
| Compensated absences   | (2,866)                |
| <b>Total adjustments</b>   | <b>167,001</b>         |
| <b>Net cash provided by operating activities</b>   | <b>\$ 381,072</b>      |

See notes to financial statements.

## CITY OF LAKE BUTLER, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2017

#### **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 on a blended basis.

**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 expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as another 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 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 excludes 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 another 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 expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another 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 both 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.

**Florida Boating Fund** - Used to account for the State of Florida Boating funds and the related expenditures for boating improvements.

**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, 2017, 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, 2017, this allowance account totaled \$30,680 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, 2017.
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. Fund Balances -**

**A. Governmental Funds**

As of September 30, 2017, 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, 2017, fund balances are composed of the following:

|                                     | <u>Governmental Funds</u> |
|-------------------------------------|---------------------------|
| Restricted, transportation          | \$ 332,325                |
| Restricted, community redevelopment | 47,388                    |
| Restricted, CDBG                    | 295                       |
| Unassigned                          | <u>732,170</u>            |
|                                     | <u>\$ 1,112,178</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, 2017, net position balances are composed of the following:

|                                 | <u>Amount</u>     |
|---------------------------------|-------------------|
| Invested in capital assets, net | \$ 165,000        |
| Restricted - debt service       | 106,791           |
| Restricted - customer deposits  | 127,518           |
| Unrestricted                    | <u>341,521</u>    |
|                                 | <u>\$ 740,830</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 \$1,112,178 differs from “net position” of governmental activities \$2,766,659 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   | \$ 19,178,609       |
| Accumulated depreciation | (17,317,101)        |
| Total                    | <u>\$ 1,861,508</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, 2017, were:

|                       |                     |
|-----------------------|---------------------|
| Compensated absences  | \$ (22,850)         |
| Net pension liability | (276,738)           |
| Total                 | <u>\$ (299,588)</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 | \$ 121,868       |
| Deferred inflows  | (29,307)         |
| Total             | <u>\$ 92,561</u> |

**Interfund eliminations**

Interfund receivables and payables of \$70,104 were eliminated from the statement of net position of governmental funds.

**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**

|                                      | <b>Total<br/>Governmental<br/>Funds</b> | <b>Capital<br/>Related<br/>Items</b> | <b>Pension Liability<br/>Deferred<br/>Inflows/Outflows</b> | <b>Long-Term<br/>Debt<br/>Transactions</b> | <b>Eliminations</b> | <b>Statement<br/>of<br/>Net Position</b> |
|--------------------------------------|---|--------------------------------------|--|--|---------------------|--|
| <b>ASSETS</b>                        |   |                                      |  |  |                     |  |
| Cash and cash equivalents            | \$ 1,021,396                            | \$ -                                 | \$ -   | \$ -                                       | \$ -                | \$ 1,021,396                             |
| Accounts receivable, net             | 28,617                                  | -                                    | -  | -  | -                   | 28,617                                   |
| Due from other governments           | 121,775                                 | -                                    | -  | -  | -                   | 121,775                                  |
| Due from other funds                 | 70,104                                  | -                                    | -  | -  | (70,104)            | -  |
| Capital assets, net                  | -                                       | 1,861,508                            | -  | -  | -                   | 1,861,508                                |
| <b>Total assets</b>                  | <b>1,241,892</b>                        | <b>1,861,508</b>                     | <b>-</b>   | <b>-</b>                                   | <b>(70,104)</b>     | <b>3,033,296</b>                         |
| <b>DEFERRED OUTFLOWS</b>             |   |                                      |  |  |                     |  |
|                                      | -                                       | -                                    | 121,868  | -  | -                   | 121,868                                  |
| <b>LIABILITIES AND FUND BALANCES</b> |   |                                      |  |  |                     |  |
| <b>Liabilities</b>                   |   |                                      |  |  |                     |  |
| Accounts payable                     | 13,538                                  | -                                    | -  | -  | -                   | 13,538                                   |
| Accrued liabilities                  | 10,713                                  | -                                    | -  | -  | -                   | 10,713                                   |
| Due to other funds                   | 105,463                                 | -                                    | -  | -  | (70,104)            | 35,359                                   |
| Accrued compensated absences         | -                                       | -                                    | -  | 22,850                                     | -                   | 22,850                                   |
| Net pension liability                | -                                       | -                                    | 276,738  | -  | -                   | 276,738                                  |
| <b>Total liabilities</b>             | <b>129,714</b>                          | <b>-</b>                             | <b>276,738</b>   | <b>22,850</b>                              | <b>(70,104)</b>     | <b>359,198</b>                           |
| <b>DEFERRED INFLOWS</b>              |   |                                      |  |  |                     |  |
|                                      | -                                       | -                                    | 29,307   | -  | -                   | 29,307                                   |
| <b>FUND BALANCE/NET POSITION</b>     | <b>\$ 1,112,178</b>                     | <b>\$ 1,861,508</b>                  | <b>\$ (184,177)</b>  | <b>\$ (22,850)</b>                         | <b>\$ -</b>         | <b>\$ 2,766,659</b>                      |

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

The “net change in fund balances” for governmental funds \$71,869 differs from the “change in net position” for governmental activities \$138,081 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       | \$ 190,543       |
| Depreciation expense | (103,300)        |
|                      | <u>\$ 87,243</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 increase in compensated absences        | \$ (2,633)         |
| Net increase in pension liability           | (57,004)           |
| Net change in deferred outflows and inflows | <u>38,605</u>      |
| Total                                       | <u>\$ (21,032)</u> |

**Transfers in and out**

Governmental fund Interfund transfers in and transfers out of \$89,000 were eliminated in the statement of activities.



**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**

|   | <b>Total<br/>Governmental<br/>Funds</b> | <b>Capital<br/>Related<br/>Items</b> | <b>Pension Liability<br/>Deferred<br/>Inflows/Outflows</b> | <b>Long-Term<br/>Debt<br/>Transactions</b> | <b>Statement<br/>of<br/>Activities</b> |
|---|---|--------------------------------------|--|--|--|
| <b>REVENUES</b>   |   |                                      |  |  |  |
| Taxes   | \$ 488,561                              | \$ -                                 | \$ -   | \$ -                                       | \$ 488,561                             |
| Licenses and permits                                    | 5,849                                   | -                                    | -  | -  | 5,849                                  |
| Fines   | 2,944                                   | -                                    | -  | -  | 2,944                                  |
| Intergovernmental                                       | 493,218                                 | -                                    | -  | -  | 493,218                                |
| Charges for services                                    | 80,993                                  | -                                    | -  | -  | 80,993                                 |
| Miscellaneous   | 54,538                                  | -                                    | -  | -  | 54,538                                 |
| <b>Total revenue</b>                                    | <b>1,126,103</b>                        | <b>-</b>                             | <b>-</b>   | <b>-</b>                                   | <b>1,126,103</b>                       |
| <b>EXPENDITURES</b>                                     |   |                                      |  |  |  |
| <b>Current expenditures</b>                             |   |                                      |  |  |  |
| General government                                      | 320,180                                 | 14,983                               | 11,455   | 2,633                                      | 349,251                                |
| Public safety   | 120,052                                 | 31,232                               | 792  | -  | 152,076                                |
| Physical environment                                    | -                                       | -                                    | -  | -  | -                                      |
| Transportation  | 191,455                                 | 14,666                               | 3,817  | -  | 209,938                                |
| Economic environment                                    | 21,764                                  | 763                                  | -  | -  | 22,527                                 |
| Human services  | 10,622                                  | -                                    | 221  | -  | 10,843                                 |
| Culture/recreation                                      | 118,694                                 | 41,655                               | 2,114  | -  | 162,463                                |
| <b>Capital outlay</b>                                   |   |                                      |  |  |  |
| General government                                      | 345                                     | (345)                                | -  | -  | -                                      |
| Transportation  | 4,100                                   | (4,100)                              | -  | -  | -                                      |
| Culture/recreation                                      | 120,651                                 | (120,651)                            | -  | -  | -                                      |
| Public Safety   | 65,447                                  | (65,447)                             | -  | -  | -                                      |
| <b>Total expenditures</b>                               | <b>973,310</b>                          | <b>(87,244)</b>                      | <b>18,399</b>  | <b>2,633</b>                               | <b>907,098</b>                         |
| <b>Excess of revenues over (under)<br/>expenditures</b> | <b>152,793</b>                          | <b>87,244</b>                        | <b>(18,399)</b>  | <b>(2,633)</b>                             | <b>219,005</b>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |   |                                      |  |  |  |
| Interfund transfers in                                  | 89,000                                  | -                                    | -  | (89,000)                                   | -                                      |
| Interfund transfers out                                 | (169,924)                               | -                                    | -  | 89,000                                     | (80,924)                               |
| <b>Total other financing sources (uses)</b>             | <b>(80,924)</b>                         | <b>-</b>                             | <b>-</b>   | <b>-</b>                                   | <b>(80,924)</b>                        |
| <b>Net change in fund balances/net position</b>         | <b>71,869</b>                           | <b>87,244</b>                        | <b>(18,399)</b>  | <b>(2,633)</b>                             | <b>138,081</b>                         |
| <b>Fund balances/net position at beginning of year</b>  | <b>1,040,309</b>                        | <b>1,774,264</b>                     | <b>(165,778)</b>   | <b>(20,217)</b>                            | <b>2,628,578</b>                       |
| <b>Fund balances/net position at end of year</b>        | <b>\$ 1,112,178</b>                     | <b>\$ 1,861,508</b>                  | <b>\$ (184,177)</b>  | <b>\$ (22,850)</b>                         | <b>\$ 2,766,659</b>                    |

### **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 book balances of the City deposits totaling \$1,809,979 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, 2017, was as follows:

|  | Beginning<br>Balance | Additions        | Deletions   | Ending<br>Balance   |
|--|----------------------|------------------|-------------|---------------------|
| <b>Governmental activities:</b>                      |                      |                  |             |                     |
| <b>Capital assets:</b>                               |                      |                  |             |                     |
| Land   | \$ 84,551            | \$ -             | \$ -        | \$ 84,551           |
| CIP  | 37,434               | 2,903            | -           | 40,337              |
| Buildings  | 2,962,761            | -                | -           | 2,962,761           |
| Other improvements                                   | 15,307,067           | 183,540          | -           | 15,490,607          |
| Machinery and equipment                              | 596,253              | 4,100            | -           | 600,353             |
| <b>Total capital assets</b>                          | <b>18,988,066</b>    | <b>190,543</b>   | <b>-</b>    | <b>19,178,609</b>   |
| Less accumulated depreciation                        | (17,213,801)         | (103,300)        | -           | (17,317,101)        |
| <b>Governmental activities capital assets, net</b>   | <b>\$ 1,774,265</b>  | <b>\$ 87,243</b> | <b>\$ -</b> | <b>\$ 1,861,508</b> |
| <b>Business-type activities:</b>                     |                      |                  |             |                     |
| Land   | \$ 541,813           | \$ -             | \$ -        | \$ 541,813          |
| Buildings  | 153,795              | -                | -           | 153,795             |
| Improvements other than buildings                    | 5,506,822            | -                | -           | 5,506,822           |
| CIP  | -                    | 169,924          | -           | 169,924             |
| Machinery and equipment                              | 243,800              | -                | -           | 243,800             |
| <b>Total capital assets</b>                          | <b>6,446,230</b>     | <b>169,924</b>   | <b>-</b>    | <b>6,616,154</b>    |
| Less accumulated depreciation                        | (5,376,852)          | (141,302)        | -           | (5,518,154)         |
| <b>Business-type activities capital assets, net.</b> | <b>\$ 1,069,378</b>  | <b>\$ 28,622</b> | <b>\$ -</b> | <b>\$ 1,098,000</b> |

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

|   |                   |
|---|-------------------|
| <b>Governmental activities:</b>                           |                   |
| General Government  | \$ 14,983         |
| Public Safety   | 31,233            |
| Transportation  | 14,666            |
| Parks and recreation                                      | 41,655            |
| Economic  | 763               |
| <b>Total depreciation expense - governmental entities</b> | <b>\$ 103,300</b> |
| <b>Business-type activities:</b>                          |                   |
| Water   | \$ 112,540        |
| Sewer   | 28,762            |
|   | <b>\$ 141,302</b> |

**NOTE 7. INTERFUND RECEIVABLES/PAYABLES**

The following is a schedule of interfund receivables and payables at September 30, 2017.

| Fund            | Receivable        | Payable           |
|-----------------|-------------------|-------------------|
| General         | \$ 67,344         | \$ 35,554         |
| Enterprise      | 35,359            | -                 |
| Florida Boating | -                 | 69,909            |
| CDBG            | 195               | -                 |
| CRA             | 2,565             | -                 |
|                 | <u>\$ 105,463</u> | <u>\$ 105,463</u> |

**NOTE 8. INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2017, consisted of the following:

| Fund       | Transfers in      | Transfers out     |
|------------|-------------------|-------------------|
| General    | \$ 89,000         | \$ -              |
| Enterprise | 169,924           | 89,000            |
| CDBG       | -                 | 169,924           |
|            | <u>\$ 258,924</u> | <u>\$ 258,924</u> |

Transfers were used for grant funded capital projects and operating expenditures.

**NOTE 9. RECEIVABLE AND PAYABLE BALANCES**

**Receivables**

Receivables at September 30, 2017, were as follows:

|                           | Account           | Due from<br>Others/<br>Governmental<br>Units | Total<br>Receivables |
|---------------------------|-------------------|--|----------------------|
| Governmental activities:  | \$ 28,617         | \$ 121,775                                   | \$ 150,392           |
| Business-type activities: | 73,677            | 42,745                                       | \$ 116,422           |
|                           | <u>\$ 102,294</u> | <u>\$ 164,520</u>                            | <u>\$ 266,814</u>    |

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$30,680.

**Payables**

Payables at September 30, 2017, were as follows:

|                           | Vendors          |
|---------------------------|------------------|
| Governmental activities:  | \$ 13,538        |
| Business-type activities: | 35,252           |
|                           | <u>\$ 48,790</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, 2017:

|                      | Balance<br>October 1, 2016 | Increases        | Decreases   | Balance<br>September 30, 2017 | Due<br>Within<br>One Year |
|----------------------|----------------------------|------------------|-------------|-------------------------------|---------------------------|
| Compensated absences | \$ 20,217                  | \$ 2,633         | \$ -        | \$ 22,850                     | \$ 3,428                  |
| Pension liability    | 219,734                    | 57,004           | -           | 276,738                       | -                         |
|                      | <u>\$ 239,951</u>          | <u>\$ 59,637</u> | <u>\$ -</u> | <u>\$ 299,588</u>             | <u>\$ 3,428</u>           |

**Business-type Activities**

A summary of proprietary fund debt as of September 30, 2017, 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, 2017, is \$62,000. The remaining bonds mature annually from September 1, 2009 through September 1, 2019, at averaged annual 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, 2017, is \$871,000. The remaining bonds mature annually from September 1, 2006 through September 1, 2037, at averaged payments of \$66,377, 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, 2017.

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, 2017.

Revenue bond debt service requirements to maturity, including \$478,085 of interest, are as follows:

| Fiscal Year Ending<br>September 30 | 1980<br>Bonds    | 1998<br>Bonds       | Total              |
|------------------------------------|------------------|---------------------|--------------------|
| 2018                               | \$ 37,050        | 66,925              | 103,975            |
| 2019                               | 37,450           | 66,562              | 104,012            |
| 2020                               | 8,750            | 66,460              | 75,210             |
| 2021                               | -                | 67,010              | 67,010             |
| 2021-2025                          | -                | 266,141             | 266,141            |
| 2026-2030                          | -                | 332,670             | 332,670            |
| 2031-2035                          | -                | 331,727             | 331,727            |
| 2035-2040                          | -                | 131,340             | 131,340            |
|                                    | <u>\$ 83,250</u> | <u>\$ 1,328,835</u> | <u>\$1,412,085</u> |

A schedule of changes in proprietary fund debt follows:

|                       | Balance<br>September 30, 2016 | Increases        | Decreases           | Balance<br>September 30, 2017 | Due Within<br>One Year |
|-----------------------|-------------------------------|------------------|---------------------|-------------------------------|------------------------|
| Bonds payable         | \$ 993,000                    | \$ -             | \$ (60,000)         | \$ 933,000                    | \$ 62,000              |
| Loans payable         | 38,958                        | -                | (38,958)            | -                             | -                      |
| Compensated absences  | 11,857                        | -                | (2,866)             | 8,991                         | 1,349                  |
| Net pension liability | 246,231                       | 56,172           | -                   | 302,403                       | -                      |
|                       | <u>\$ 1,290,046</u>           | <u>\$ 56,172</u> | <u>\$ (101,824)</u> | <u>\$ 1,244,394</u>           | <u>\$ 63,349</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](http://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, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular—7.52% and 7.92%; Special Risk Administrative Support—28.06% and 34.63%; Special Risk—22.57% and 23.27%; Senior Management Service—21.77% and 22.71%; Elected Officers—42.47% and 45.50%; and DROP participants—12.99% and 13.26%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively.

The City’s contributions, including employee contributions, to the Pension Plan totaled \$42,849 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2017, the City reported a liability of \$409,345 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City’s proportionate share of the net pension liability was based on the City’s 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the City’s proportionate share was .00138387 percent, which was an increase of .0002835 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$69,125. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ 37,568                         | \$ (2,268)                       |
| Changes in assumptions   | 137,569                           | -                                |
| Net difference between projected and actual earnings on Pension Plan investments                                       | -                                 | (10,145)                         |
| Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions | 45,239                            | (22,047)                         |
| City Pension Plan contributions subsequent to the measurement date   | 8,809                             | -                                |
| Total  | \$ 229,185                        | \$ (34,460)                      |



The deferred outflows of resources related to the Pension Plan, totaling \$8,809 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, 2017. 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       |                   |
| 2018               | \$ 24,267         |
| 2019               | 64,499            |
| 2020               | 45,098            |
| 2021               | 9,215             |
| 2022               | 31,166            |
| Thereafter         | 11,671            |
|                    | <u>\$ 185,916</u> |

**Actuarial Assumptions** – The total pension liability in the June 30, 2017 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 | 7.10%, 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, 2017, 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                     | 1.0%                  | 3.00%                    | 3.00%                              | 1.80%              |
| Fixed income             | 18.0%                 | 4.50%                    | 4.40%                              | 4.20%              |
| Global equity            | 53.0%                 | 7.80%                    | 6.60%                              | 17.20%             |
| Real estate              | 10.0%                 | 6.60%                    | 5.90%                              | 12.80%             |
| Private equity           | 6.0%                  | 11.50%                   | 7.80%                              | 30.00%             |
| Strategic investments    | 12.0%                 | 6.10%                    | 5.60%                              | 9.70%              |
| <b>Total</b>             | <b>100.0%</b>         |                          |                                    |                    |
| Assumed Inflation - Mean |                       |                          | 2.60%                              | 1.90%              |

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.10%. 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 7.10%, 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 (6.10%) or one percentage point higher (8.10%) than the current rate:

|   | 1% Decrease<br>(6.10%) | Current<br>Discount Rate<br>(7.10%) | 1% Increase<br>(8.10%) |
|---|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net pension liability | \$ 740,890             | \$ 409,345                          | \$ 134,087             |

**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, 2017, the City reported a payable in the amount of \$739 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

### **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, 2017, 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, 2017, the HIS contribution for the period October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017 was 1.66% and 1.66%, 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 \$17,774 for the fiscal year ended September 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At September 30, 2017, the City reported a liability of \$169,796 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .001588008 percent, which was a decrease of .00003225 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$9,822. 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<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience   | \$ -                              | \$ (353)                         |
| Changes in assumptions   | 23,868                            | (14,683)                         |
| Net difference between projected and actual earnings on HIS Plan investments                                       | 94                                | -                                |
| Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions | -                                 | (11,836)                         |
| City HIS Plan contributions subsequent to the measurement date   | 1,891                             | -                                |
| <b>Total</b>   | <b>\$ 25,853</b>                  | <b>\$ (26,872)</b>               |

The deferred outflows of resources related to the HIS Plan, totaling \$1,891 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, 2017. 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<br>September 30 |                   |
|------------------------------------|-------------------|
| 2018                               | \$ (908)          |
| 2019                               | (901)             |
| 2020                               | (899)             |
| 2021                               | (674)             |
| 2022                               | (266)             |
| Thereafter                         | 739               |
|                                    | <u>\$ (2,910)</u> |

**Actuarial Assumptions** – The total pension liability in the July 1, 2017, 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 | 3.58%                               |

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

The actuarial assumptions used in the July 1, 2017, 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 3.58%. 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 3.58%, 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 (2.58%) or one percentage point higher (4.58%) than the current rate:

|   | 1% Decrease<br>(2.58%) | Current<br>Discount Rate<br>(3.58%) | 1% Increase<br>(4.58%) |
|---|------------------------|-------------------------------------|------------------------|
| County's proportionate share of the net pension liability | \$ 193,761             | \$ 169,796                          | \$ 149,836             |

**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, 2017, the City reported a payable in the amount of \$307 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

### **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 2016-17 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 3.30%, Special Risk Administrative Support class 4.95%, Special Risk class 11.00%, Senior Management Service class 4.67% and City Elected Officers class 8.34%.

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, 2017, 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, 2017.

#### **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, 2017, the RMC facility accounted for approximately 56% of the City's sewer revenues and 32% 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.

**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, 2017

|  | Budgeted Amounts |                | Actual<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|----------------|-------------------|--|
|  | Original         | Final          |                   |  |
| <b>REVENUES</b>                          |                  |                |                   |  |
| <b>Taxes</b>                             |                  |                |                   |  |
| Ad Valorem taxes                         | \$ 66,484        | \$ 66,711      | \$ 66,726         | \$ 15  |
| <b>Sales and use taxes</b>               |                  |                |                   |  |
| Local option gas tax/alternative fuel    | 33,252           | 38,500         | 40,815            | 2,315  |
| Discretionary sales tax                  | 102,500          | 97,000         | 110,280           | 13,280   |
| <b>Franchise fees</b>                    |                  |                |                   |  |
| Electricity                              | 128,500          | 124,500        | 132,953           | 8,453  |
| <b>Utility service taxes</b>             |                  |                |                   |  |
| Electricity                              | 34,500           | 34,500         | 34,068            | (432)  |
| Gas                                      | 2,430            | 2,430          | 2,130             | (300)  |
| Communications services tax              | 60,000           | 49,129         | 51,275            | 2,146  |
| <b>Total taxes</b>                       | <b>427,666</b>   | <b>412,770</b> | <b>438,247</b>    | <b>25,477</b>  |
| <b>Licenses and permits</b>              |                  |                |                   |  |
| City occupational licenses               | 9,000            | 9,000          | 5,049             | (3,951)  |
| Other licenses and permits               | 2,100            | 1,100          | 800               | (300)  |
| <b>Total licenses and permits</b>        | <b>11,100</b>    | <b>10,100</b>  | <b>5,849</b>      | <b>(4,251)</b>   |
| <b>Fines</b>                             |                  |                |                   |  |
|  | 4,500            | 3,040          | 2,944             | (96)   |
| <b>Intergovernmental</b>                 |                  |                |                   |  |
| <b>Federal payments in lieu of taxes</b> |                  |                |                   |  |
| Union County Housing Authority           | 7,500            | 7,500          | 10,568            | 3,068  |
| FRDAP grant                              | 150,000          | 150,000        | 110,193           | (39,807)   |
| <b>State shared revenues</b>             |                  |                |                   |  |
| <b>General government</b>                |                  |                |                   |  |
| State revenue sharing                    | 58,500           | 60,500         | 64,717            | 4,217  |
| Municipal gas tax                        | 19,000           | 19,000         | 20,217            | 1,217  |
| Mobile home licenses                     | 1,000            | 1,000          | 1,199             | 199  |
| Alcoholic beverage licenses              | 1,000            | 1,000          | 352               | (648)  |
| Local government half-cent sales tax     | 47,000           | 53,000         | 50,678            | (2,322)  |
| <b>Total Intergovernmental</b>           | <b>284,000</b>   | <b>292,000</b> | <b>257,924</b>    | <b>(34,076)</b>  |
| <b>Charges for services</b>              |                  |                |                   |  |
| Physical Environment                     | 1,500            | 1,500          | 3,900             | 2,400  |
| <b>Transportation</b>                    |                  |                |                   |  |
| Street maintenance                       | 74,899           | 77,093         | 77,093            | -  |
| <b>Total charges for services</b>        | <b>74,899</b>    | <b>78,593</b>  | <b>80,993</b>     | <b>2,400</b>   |
| <b>Miscellaneous</b>                     |                  |                |                   |  |
| Interest                                 | 650              | 650            | 558               | (92)   |
| <b>Rents and royalties</b>               |                  |                |                   |  |
| Community Center                         | 16,500           | 18,000         | 19,368            | 1,368  |
| Other rentals                            | 10,500           | 11,500         | 10,841            | (659)  |
| Special events                           | 1,000            | 1,000          | 1,000             | -  |
| Other                                    | 4,785            | 5,563          | 19,476            | 13,913   |
| <b>Total miscellaneous</b>               | <b>33,435</b>    | <b>36,713</b>  | <b>51,243</b>     | <b>14,530</b>  |
| <b>Total revenues</b>                    | <b>835,600</b>   | <b>833,216</b> | <b>837,200</b>    | <b>3,984</b>   |

See notes to required supplementary information.

**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, 2017

|   | Budgeted Amounts |                | Actual<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|---|------------------|----------------|-------------------|--|
|   | Original         | Final          |                   |  |
| <b>EXPENDITURES</b>                       |                  |                |                   |  |
| <b>General government</b>                 |                  |                |                   |  |
| <b>Legislative</b>                        |                  |                |                   |  |
| Personnel services                        | \$ 69,683        | \$ 69,597      | \$ 70,023         | \$ (426)   |
| Operating expenses                        | 7,600            | 8,357          | 9,526             | (1,169)  |
| <b>Total legislative</b>                  | <b>77,283</b>    | <b>77,954</b>  | <b>79,549</b>     | <b>(1,595)</b>   |
| <b>Executive</b>                          |                  |                |                   |  |
| Personnel services                        | 103,294          | 103,173        | 103,358           | (185)  |
| Operating expenses                        | 5,467            | 4,344          | 4,952             | (608)  |
| <b>Total executive</b>                    | <b>108,761</b>   | <b>107,517</b> | <b>108,310</b>    | <b>(793)</b>   |
| <b>Financial and administrative</b>       |                  |                |                   |  |
| Personnel services                        | 54,483           | 54,408         | 55,601            | (1,193)  |
| Operating expenses                        | 56,469           | 57,398         | 54,255            | 3,143  |
| Capital outlay                            | 2,700            | 1,500          | 345               | 1,155  |
| <b>Total financial and administrative</b> | <b>113,652</b>   | <b>113,306</b> | <b>110,201</b>    | <b>3,104</b>   |
| <b>Legal counsel</b>                      |                  |                |                   |  |
| Operating expenses                        | 16,200           | 14,200         | 13,650            | 550  |
|   | <u>16,200</u>    | <u>14,200</u>  | <u>13,650</u>     | <u>550</u>   |
| <b>Other general government</b>           |                  |                |                   |  |
| Operating expenses                        | 17,300           | 9,113          | 8,815             | 298  |
| <b>Total other general government</b>     | <b>17,300</b>    | <b>9,113</b>   | <b>8,815</b>      | <b>298</b>   |
| <b>Total general government</b>           | <b>333,196</b>   | <b>322,090</b> | <b>320,525</b>    | <b>1,564</b>   |
| <b>Public safety</b>                      |                  |                |                   |  |
| <b>Code enforcement</b>                   |                  |                |                   |  |
| Personnel services                        | 15,332           | 15,332         | 15,362            | (30)   |
| Operating expenses                        | 100              | 413            | 343               | 70   |
| <b>Law enforcement</b>                    |                  |                |                   |  |
| Operating expenses                        | 75,000           | 75,000         | 75,000            | -  |
| <b>Total code and law enforcement</b>     | <b>90,432</b>    | <b>90,745</b>  | <b>90,705</b>     | <b>40</b>  |
| <b>Fire control</b>                       |                  |                |                   |  |
| Operating expenses                        | 9,199            | 15,374         | 9,841             | 5,533  |
| <b>Total fire control</b>                 | <b>9,199</b>     | <b>15,374</b>  | <b>9,841</b>      | <b>5,533</b>   |
| <b>Other public safety</b>                |                  |                |                   |  |
| Personnel services                        | 21,804           | 24,749         | 17,658            | 7,091  |
| Operating expenses                        | 100              | 1,968          | 1,848             | 120  |
| <b>Total other public safety</b>          | <b>21,904</b>    | <b>26,717</b>  | <b>19,506</b>     | <b>7,211</b>   |
| <b>Total public safety</b>                | <b>121,535</b>   | <b>132,836</b> | <b>120,052</b>    | <b>12,783</b>  |
| <b>Physical environment</b>               |                  |                |                   |  |
| Operating expense                         | 353              | 250            | -                 | 250  |
| <b>Total physical environment</b>         | <b>353</b>       | <b>250</b>     | <b>-</b>          | <b>250</b>   |
| <b>Transportation</b>                     |                  |                |                   |  |
| <b>Roads and streets</b>                  |                  |                |                   |  |
| Personnel services                        | 86,792           | 90,964         | 89,357            | 1,607  |
| Operating expenses                        | 95,684           | 108,122        | 102,098           | 6,024  |
| Capital outlay                            | 4,200            | 4,100          | 4,100             | -  |
| <b>Total transportation</b>               | <b>186,676</b>   | <b>203,186</b> | <b>195,555</b>    | <b>7,632</b>   |

See notes to required supplementary information.

**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, 2017

|   | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance<br/>With Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|-------------------|---------------------------|---|
|   | <b>Original</b>         | <b>Final</b>      |                           |   |
| <b>Human services</b>                               |                         |                   |                           |   |
| <b>Animal control</b>                               |                         |                   |                           |   |
| <b>Personnel services</b>                           | \$ 4,207                | \$ 4,207          | \$ 4,209                  | \$ (2)  |
| <b>Operating expenses</b>                           | 3,442                   | 3,164             | 1,692                     | 1,472   |
| <b>Mosquito control</b>                             |                         |                   |                           |   |
| <b>Operating expenses</b>                           | 4,176                   | 6,098             | 4,721                     | 1,377   |
| <b>Total human services</b>                         | <u>11,825</u>           | <u>13,469</u>     | <u>10,622</u>             | <u>2,847</u>  |
| <b>Culture/recreation</b>                           |                         |                   |                           |   |
| <b>Parks and recreation</b>                         |                         |                   |                           |   |
| <b>Personnel services</b>                           | 37,632                  | 39,705            | 40,936                    | (1,231)   |
| <b>Operating expenses</b>                           | 197,699                 | 189,904           | 67,111                    | 122,793   |
| <b>Capital outlay</b>                               | 1,500                   | 4,540             | 105,382                   | (100,842)   |
| <b>Grants and aids</b>                              | 16,883                  | 11,026            | 10,647                    | 379   |
| <b>Total culture and recreation</b>                 | <u>253,714</u>          | <u>245,175</u>    | <u>224,076</u>            | <u>21,098</u>   |
| <b>Total expenditures</b>                           | <u>907,299</u>          | <u>917,006</u>    | <u>870,830</u>            | <u>45,924</u>   |
| <b>Excess of revenues over (under) expenditures</b> | (71,699)                | (83,790)          | (33,630)                  | 50,160  |
| <b>OTHER FINANCING SOURCES</b>                      |                         |                   |                           |   |
| <b>Interfund transfers in</b>                       | <u>104,000</u>          | <u>239,000</u>    | <u>89,000</u>             | <u>(150,000)</u>  |
|   | <u>104,000</u>          | <u>239,000</u>    | <u>89,000</u>             | <u>(150,000)</u>  |
| <b>Net change in fund balance</b>                   | 32,301                  | 155,210           | 55,370                    | (99,840)  |
| <b>Fund balance at beginning of year</b>            | 653,202                 | 653,202           | 653,202                   | -   |
| <b>Fund balance at end of year</b>                  | <u>\$ 685,503</u>       | <u>\$ 808,412</u> | <u>\$ 708,572</u>         | <u>(99,840)</u>   |

See notes to required supplementary information.

**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, 2017**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>Amounts</u> | <u>Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|------------------|---------------------------|---|
|   | <u>Original</u>         | <u>Final</u>     |                           |   |
| <b>REVENUES</b>   |                         |                  |                           |   |
| <b>Taxes</b>  |                         |                  |                           |   |
| <b>Advalorem taxes</b>                                    | \$ 50,504               | \$ 50,504        | \$ 50,314                 | \$ (190)                                  |
| <b>Miscellaneous</b>                                      |                         |                  |                           |   |
| <b>Interest</b>   | 22                      | 50               | 60                        | 10  |
| <b>Other</b>  | 29,247                  | -                | 2,565                     | 2,565                                     |
| <b>Total revenues</b>                                     | <u>79,773</u>           | <u>50,554</u>    | <u>52,939</u>             | <u>2,385</u>                              |
| <b>EXPENDITURES</b>                                       |                         |                  |                           |   |
| <b>Economic environment</b>                               |                         |                  |                           |   |
| <b>Operating expenses</b>                                 | 31,478                  | 32,803           | 21,764                    | 11,039                                    |
| <b>Culture/recreation</b>                                 |                         |                  |                           |   |
| <b>Capital outlay</b>                                     | 48,295                  | 26,016           | 15,269                    | 10,747                                    |
|   | <u>79,773</u>           | <u>58,819</u>    | <u>37,033</u>             | <u>21,786</u>                             |
| <b>Excess of revenues over (under)<br/>  expenditures</b> | <u>-</u>                | <u>(8,265)</u>   | <u>15,906</u>             | <u>24,171</u>                             |
| <b>Net change in fund balances</b>                        | -                       | (8,265)          | 15,906                    | 24,171                                    |
| <b>Fund balance at beginning of year</b>                  | <u>31,482</u>           | <u>31,482</u>    | <u>31,482</u>             | -   |
| <b>Fund balance at end of year</b>                        | <u>\$ 31,482</u>        | <u>\$ 23,217</u> | <u>\$ 47,388</u>          | <u>\$ 24,171</u>                          |

See notes to required supplementary information.

**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, 2017**

|   | <b>Budgeted Amounts</b>  |                          | <b>Actual<br/>Amounts</b> | <b>Variance<br/>With Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|---|--------------------------|--------------------------|---------------------------|---|
|   | <b>Original</b>          | <b>Final</b>             |                           |   |
| <b>REVENUES</b>   |                          |                          |                           |   |
| <b>Miscellaneous</b>  |                          |                          |                           |   |
| Interest  | \$ 275                   | \$ 275                   | \$ 355                    | \$ (80)   |
| <b>Total revenues</b>                                       | <u>275</u>               | <u>275</u>               | <u>355</u>                | <u>(80)</u>   |
| <b>EXPENDITURES</b>   |                          |                          |                           |   |
| <b>Economic environment</b>                                 |                          |                          |                           |   |
| Operating expenses  | 275                      | 275                      | -                         | 275   |
| Improvements  |                          |                          |                           | -   |
| Sidewalk project  | -                        | -                        | -                         | -   |
|   | <u>275</u>               | <u>275</u>               | <u>-</u>                  | <u>275</u>  |
| <b>Excess of revenues over (under)<br/>    expenditures</b> | <u>-</u>                 | <u>-</u>                 | <u>355</u>                | <u>355</u>  |
| <b>Net change in fund balance</b>                           | <u>-</u>                 | <u>-</u>                 | <u>355</u>                | <u>355</u>  |
| <b>Fund balance at beginning of<br/>    year</b>            | <u>355,568</u>           | <u>355,568</u>           | <u>355,568</u>            | <u>-</u>  |
| <b>Fund balance at end of year</b>                          | <u><u>\$ 355,568</u></u> | <u><u>\$ 355,568</u></u> | <u><u>\$ 355,923</u></u>  | <u><u>\$ 355</u></u>  |

See notes to required supplementary information.

**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, 2017**

|  | Budgeted Amounts |                  | Actual<br>Amounts | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------|--|
|  | Original         | Final            |                   |  |
| <b>REVENUES</b>                          |                  |                  |                   |  |
| Intergovernmental                        | \$ -             | \$ 641,683       | \$ 169,924        | \$ (471,759)   |
| Miscellaneous                            | -                | -                | 315               | -  |
| <b>Total revenues</b>                    | <u>-</u>         | <u>641,683</u>   | <u>170,239</u>    | <u>(471,444)</u>   |
| <br>                                     |                  |                  |                   |  |
| <b>OTHER FINANCING USES</b>              |                  |                  |                   |  |
| Interfund Transfers Out                  | -                | (641,683)        | (169,924)         | (471,759)  |
|  | <u>-</u>         | <u>(641,683)</u> | <u>(169,924)</u>  | <u>(471,759)</u>   |
| <br>                                     |                  |                  |                   |  |
| <b>Net change in fund balances</b>       | -                | -                | 315               | 315  |
| <br>                                     |                  |                  |                   |  |
| <b>Fund balance at beginning of year</b> | <u>(20)</u>      | <u>(20)</u>      | <u>(20)</u>       | <u>-</u>   |
| <b>Fund balance at end of year</b>       | <u>\$ (20)</u>   | <u>\$ (20)</u>   | <u>\$ 295</u>     | <u>\$ 315</u>  |

See notes to required supplementary information.

**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, 2017**

|   | <b>Budgeted Amounts</b> |               | <b>Actual</b> | <b>Variance<br/>With Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|---------------|---------------|---|
|   | <b>Original</b>         | <b>Final</b>  |               |   |
| <b>REVENUES</b>                           |                         |               |               |   |
| Intergovernmental                         | \$ 82,144               | \$ 82,144     | \$ 65,370     | \$ (16,774)   |
| <b>Total revenues</b>                     | <b>82,144</b>           | <b>82,144</b> | <b>65,370</b> | <b>(16,774)</b>   |
| <b>EXPENDITURES</b>                       |                         |               |               |   |
| Public safety                             |                         |               |               |   |
| Capital outlay                            | 82,144                  | 82,144        | 65,447        | 16,697  |
| <b>Total expenditures</b>                 | <b>82,144</b>           | <b>82,144</b> | <b>65,447</b> | <b>16,697</b>   |
| <b>Net change in fund balances</b>        | <b>-</b>                | <b>-</b>      | <b>(77)</b>   | <b>(77)</b>   |
| <b>Fund balances at beginning of year</b> | <b>77</b>               | <b>77</b>     | <b>77</b>     | <b>-</b>  |
| <b>Fund balances at end of year</b>       | <b>\$ 77</b>            | <b>\$ 77</b>  | <b>\$ -</b>   | <b>\$ (77)</b>  |

See notes to required supplementary information.

**CITY OF LAKE BUTLER, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2017**

**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 PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM**  
**LAST 10 FISCAL YEARS\***

|   | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|-------------------|-------------------|
| City's proportion of the FRS net pension liability (asset)  | 0.001383890%      | 0.001097540%      | 0.001159024%      | 0.001063614%      |
| City's proportionate share of the FRS net pension liability (asset)   | \$ 409,345        | \$ 277,130        | \$ 149,703        | \$ 64,896         |
| City's proportion of the HIS net pension liability (asset)  | 0.001588008%      | 0.001620261%      | 0.001642268%      | 0.001645575%      |
| City's proportionate share of the HIS net pension liability (asset)   | <u>169,797</u>    | <u>188,835</u>    | <u>167,486</u>    | <u>218,761</u>    |
| City's proportionate share of the total net pension liability (asset)   | <u>\$ 579,142</u> | <u>\$ 465,965</u> | <u>\$ 317,189</u> | <u>\$ 283,657</u> |
| City's covered-employee payroll   | \$ 585,070        | \$ 579,342        | \$ 555,381        | \$ 547,603        |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 98.99%            | 80.43%            | 57.11%            | 39.95%            |
| Plan fiduciary net position as a percentage of the total pension liability                                      | 83.89%            | 79.36%            | 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.

See notes to the required supplementary information.

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

|  | 2017          | 2016          | 2015          | 2014          |
|--|---------------|---------------|---------------|---------------|
| Contractually required FRS contribution                              | \$ 42,849     | \$ 30,953     | \$ 32,994     | \$ 29,341     |
| Contractually required HIS contribution                              | 17,774        | 9,604         | 7,243         | 6,441         |
| Total Contractually Required Contributions                           | <u>60,623</u> | <u>40,557</u> | <u>40,237</u> | <u>35,782</u> |
| Contributions in relation to the contractually required contribution | (60,623)      | (40,557)      | (40,237)      | (35,782)      |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| City's covered-employee payroll                                      | \$ 585,070    | \$ 579,340    | \$ 555,381    | \$ 547,603    |
| Contributions as a percentage of covered-employee payroll            | 10.36%        | 7.00%         | 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.

See notes to the required supplementary information.

**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, 2017**

**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, 2017, are shown below:

|                             | <u>FRS</u>               | <u>HIS</u>               |
|-----------------------------|--------------------------|--------------------------|
| Total Pension Liability     | \$ 183,632,592,000       | \$ 10,870,772,218        |
| Plan fiduciary net position | 154,053,262,968          | 178,310,841              |
| Net Pension Liability       | <u>\$ 29,579,329,032</u> | <u>\$ 10,692,461,377</u> |

Plan Fiduciary Net Position as a Percentage  
of the Total Pension Liability

83.89%

1.64%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2017. 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, 2016, and update procedures were used to determine liabilities as of July 1, 2017. 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, 2014, 2015, 2016 and 2017, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2017, 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 7.10%. 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 3.58% 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 2017:

- **FRS:** The long-term expected rate of return 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 decreased from 7.60% in 2016 to 7.10% for 2017.
- **HIS:** The municipal bonds rate used to determine total pension liability was increased from 2.85% to 3.58%.

**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, 2017, 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 March 21, 2018.

**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.

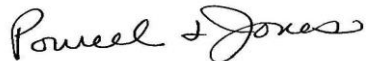
**Compliance and Other Matters**

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  
March 21, 2018

## 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, 2017, 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, 2017.

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.

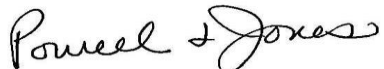
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

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, 2017, 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  
March 21, 2018



## INDEPENDENT ACCOUNTANT'S REPORT

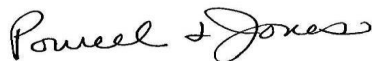
To the Mayor and  
Members of the City Commission  
City of Lake Butler, Florida

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, 2017. 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, 2017.

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  
March 21, 2018

## **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, 2017. 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. 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 March 21, 2018.

### *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  
March 21, 2018