

LAKE BUTLER
FLORIDA

Scenery, serenity and YOU!

Dale M. Walker, ICMA-CM, CGFM
City Manager
dwalker@cityoflakebutler.com

June 21, 2022

Mayor Schenck and City Commission

Re: 2021 Audit

Mr. Richard Powell, CPA of Powell and Jones, CPA's will present to you the annual audit for the period ending September 30, 2021. Once you accept the audit it will be sent to the Auditor General of the State of Florida for final review and acceptance.

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2021

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2021

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INTRODUCTORY SECTION

CITY OF LAKE BUTLER, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2021

MAYOR

Jack Schenck

VICE MAYOR

Annette Redman

CITY COMMISSION

Fred Sirmones

Jimmy Beasley

David Stegall

CITY MANAGER

Dale Walker

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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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 of the City of Lake Butler, Florida (the City), as of and for the year ended September 30, 2021, 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.

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

Florida Institute of Certified Public Accountants • American Institute of Certified Public Accountants
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 and each major fund of the City of Lake Butler, as of September 30, 2021, 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

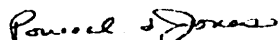
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and pension schedules as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although 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 Information

The introductory and statistical sections as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, 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
Lake City, Florida
June 15, 2022

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 funds follow the governmental funds and include net position, revenue, expenses and changes in net position, and a statement of 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, 2021 and 2020

	Governmental Activities	Business-type Activities	Total Government	
			2021	2020
Assets				
Cash and cash equivalents	\$ 919,027	\$ 1,300,233	\$ 2,219,260	\$ 1,874,911
Other assets	(17,898)	143,911	126,013	32,178
Capital assets	1,469,173	2,280,486	3,749,659	3,017,473
Total assets	2,370,302	3,724,630	6,094,932	4,924,562
Deferred outflows	81,513	68,217	149,730	199,226
Liabilities				
Current liabilities	94,219	166,529	260,748	203,672
Long term liabilities	160,315	1,315,980	1,476,295	1,978,769
Total liabilities	254,534	1,482,509	1,737,043	2,182,441
Deferred inflows	211,957	177,384	389,341	65,185
Net position				
Invested in capital assets, net of related debt	1,469,173	1,097,847	2,567,020	1,839,863
Restricted for				
Road projects	300,650	-	300,650	317,653
Other purposes	(33,537)	173,032	139,495	219,047
Unrestricted	249,038	862,075	1,111,113	499,599
Total net position	\$ 1,985,324	\$ 2,132,954	\$ 4,118,278	\$ 2,876,162

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 \$(33,537) in the community redevelopment program, \$300,650 for street improvements, and \$173,032 in the City's Proprietary Fund.

The City's net position decreased \$1,242,116 over the year. The increase is primarily due to an increase in capital asset expenditures.

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

A condensed version of the Statement of Activities follows:

Change in Net Position
For the Fiscal Years Ended September 30, 2021 and 2020

	Governmental Activities	Business-type Activities	Total Government	
			2021	2020
Revenues				
Program revenues				
Charges for services	\$ 111,648	\$ 1,491,561	\$ 1,603,209	\$ 1,361,360
Grants and contributions	2,775	1,633,574	1,636,349	111,528
General revenues				
Taxes	426,702	-	426,702	406,059
Franchise fees	127,855	-	127,855	123,762
State shared revenues	166,807	-	166,807	156,993
Interest	294	145	439	2,168
Rents, royalties and other	169,696	68,060	237,756	47,331
Total revenues	<u>1,005,777</u>	<u>3,193,340</u>	<u>4,199,117</u>	<u>2,209,201</u>
Expenses				
General government	329,537	-	329,537	409,410
Public safety	119,743	-	119,743	131,794
Transportation	268,208	-	268,208	313,701
Economic environment	763	-	763	763
Human services	12,975	-	12,975	17,020
Culture/recreation	351,431	-	351,431	272,808
Interest on long-term debt	-	35,052	35,052	37,079
Water	-	515,637	515,637	514,643
Solid waste	-	252,730	252,730	218,508
Wastewater	-	1,070,925	1,070,925	712,490
Total expenses	<u>1,082,657</u>	<u>1,874,344</u>	<u>2,957,001</u>	<u>2,628,216</u>
Transfers in (out)	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Change in net position	(51,880)	1,293,996	1,242,116	(419,015)
Beginning net position	<u>2,037,204</u>	<u>838,958</u>	<u>2,876,162</u>	<u>3,295,177</u>
Ending net position	<u>\$ 1,985,324</u>	<u>\$ 2,132,954</u>	<u>\$ 4,118,278</u>	<u>\$ 2,876,162</u>

Governmental activities:

Taxes provide 42.4% of the revenues for Governmental Activities, while grants franchise fees provide 12.7% and state-shared revenues 0.3%. Most of the Governmental Activities resources are spent for Culture/recreation 32.5%, General Government 30.4%, and Transportation 24.8%.

Business-type activities:

Business-type activities increased the City's net position by \$1,293,996.

Budgetary Highlights

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

Capital Assets and Debt Administration

Capital Assets

At September 30, 2021, the City had \$3.75 million invested in capital assets, including park and recreation facilities, buildings, roads and water and sewer facilities. This amount represents a net increase (additions, deductions, and depreciation) of \$732,186 or 24.26% more than last year. This increase was primarily due to the completion of the water meter project of the City.

Capital Assets at September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Not being depreciated:						
Land	\$ 84,551	\$ 84,551	\$ 541,813	\$ 541,813	\$ 626,364	\$ 626,364
CIP	-	-	-	487,268	-	487,268
Being depreciated:						
Buildings	2,962,761	2,962,761	135,000	135,000	3,097,761	3,097,761
Improvements	15,494,546	15,551,590	6,822,113	5,568,513	22,316,659	21,120,103
Equipment	300,782	667,824	628,383	386,909	929,165	1,054,733
Subtotal	18,842,640	19,266,726	8,127,309	7,119,503	26,969,949	26,386,229
Accumulated depreciation	(17,373,467)	(17,663,659)	(5,846,823)	(5,705,097)	(23,220,290)	(23,368,756)
Capital assets, net	\$ 1,469,173	\$ 1,603,067	\$ 2,280,486	\$ 1,414,406	\$ 3,749,659	\$ 3,017,473

Debt Outstanding

At year-end, the City had \$1,730,593 in debt outstanding versus \$2,022,533 last year, a decrease of \$291,940.

Debt Outstanding at September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenue bonds	\$ -	\$ -	\$ 746,000	\$ 777,000	\$ 746,000	\$ 777,000
SRF loan payable	-	-	252,172	256,155	252,172	256,155
CW SRF loan payable	-	-	158,576	166,400	158,576	166,400
Vehicle loan payable	-	-	19,356	26,194	19,356	26,194
Compensated absences	18,093	14,001	47,872	28,640	65,965	42,641
Net Pension liability	144,936	410,555	343,588	343,588	488,524	754,143
Total	<u>\$ 163,029</u>	<u>\$ 424,556</u>	<u>\$ 1,567,564</u>	<u>\$ 1,597,977</u>	<u>\$ 1,730,593</u>	<u>\$ 2,022,533</u>

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

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The current unemployment rate for Union County was 3.6%. This rate represents an increase from the prior year rate of 1.1%.
- The official population for the City in 2021 was 1,800 and is estimated to be approximately the same in 2022.
- The ad valorem tax rate for the City was 2.7500 mills in 2021.

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, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 919,027	\$ 870,351	\$ 1,789,378
Accounts receivable - net	-	119,013	119,013
Prepaid expenses	7,000	-	7,000
Internal balances	(24,898)	24,898	-
Total current assets	<u>901,129</u>	<u>1,014,262</u>	<u>1,915,391</u>
Noncurrent assets			
Restricted assets			
Cash	-	173,032	173,032
Cash customer deposits	-	256,850	256,850
Total restricted assets	<u>-</u>	<u>429,882</u>	<u>429,882</u>
Capital assets			
Land	84,551	541,813	626,364
Construction in progress	-	487,268	487,268
Depreciable capital assets, net	1,384,622	1,251,405	2,636,027
Capital assets - net	<u>1,469,173</u>	<u>2,280,486</u>	<u>3,749,659</u>
Total assets	<u>2,370,302</u>	<u>3,724,630</u>	<u>6,094,932</u>
DEFERRED OUTFLOWS	<u>81,513</u>	<u>68,217</u>	<u>149,730</u>
LIABILITIES			
Current liabilities payable from current assets			
Accounts payable	49,980	45,531	95,511
Accrued liabilities	41,525	-	41,525
Accrued compensated absences	2,714	2,827	5,541
Current portion vehicle loan	-	6,837	6,837
Total current liabilities payable from current assets	<u>94,219</u>	<u>55,195</u>	<u>149,414</u>
Current liabilities payable from restricted assets			
Deposits	-	78,334	78,334
Current portion serial bonds	-	33,000	33,000
Total current liabilities payable from restricted assets	<u>-</u>	<u>111,334</u>	<u>111,334</u>
Noncurrent liabilities			
Vehicle loan payable	-	12,519	12,519
SRF loan payable	-	424,120	424,120
Serial bonds payable	-	713,000	713,000
Accrued compensated absences	15,379	45,046	60,425
Net pension liability	144,936	121,295	266,231
Total noncurrent liabilities	<u>160,315</u>	<u>1,315,980</u>	<u>1,476,295</u>
Total liabilities	<u>254,534</u>	<u>1,482,509</u>	<u>1,737,043</u>
DEFERRED INFLOWS	<u>211,957</u>	<u>177,384</u>	<u>389,341</u>
NET POSITION			
Invested in capital assets net of related debt	1,469,173	1,097,847	2,567,020
Restricted for:			
Road projects	300,650	-	300,650
Other purposes	(33,537)	173,032	139,495
Unrestricted	<u>249,038</u>	<u>862,075</u>	<u>1,111,113</u>
Total net position	<u>\$ 1,985,324</u>	<u>\$ 2,132,954</u>	<u>\$ 4,118,278</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental Activities							
General government	\$ 329,537	\$ 7,712	\$ -	\$ -	\$ (321,825)	\$ -	\$ (321,825)
Public safety	119,743	6,407	-	-	(113,336)	-	(113,336)
Physical environment	-	3,700	-	-	3,700	-	3,700
Transportation	268,208	93,829	-	-	(174,379)	-	(174,379)
Economic environment	763	-	-	-	(763)	-	(763)
Human services	12,975	-	-	-	(12,975)	-	(12,975)
Culture/recreation	351,431	-	2,775	-	(348,656)	-	(348,656)
Total governmental activities	1,082,657	111,648	2,775	-	(968,234)	-	(968,234)
Business-type activities							
Water services	515,637	282,166	-	1,091,804	-	858,333	858,333
Solid waste services	252,730	238,293	-	-	-	(14,437)	(14,437)
Wastewater services	1,070,925	971,102	-	541,770	-	441,947	441,947
Interest on long-term debt	35,052	-	-	-	-	(35,052)	(35,052)
Total business-type activities	1,874,344	1,491,561	-	1,633,574	-	1,250,791	1,250,791
Total government	\$ 2,957,001	\$ 1,603,209	\$ 2,775	\$ 1,633,574	(968,234)	1,250,791	282,557
General revenues							
Ad valorem taxes					137,440	-	137,440
Franchise fees					127,855	-	127,855
Utility taxes					107,136	-	107,136
Sales and use taxes					182,126	-	182,126
Federal and state shared revenue					166,807	-	166,807
Interest					294	145	439
Miscellaneous					169,696	68,060	237,756
Transfers in (out)					25,000	(25,000)	-
Total general revenues					916,354	43,205	959,559
Change in net position					(51,880)	1,293,996	1,242,116
Net assets beginning					2,037,204	838,958	2,876,162
Net position, ending					\$ 1,985,324	\$ 2,132,954	\$ 4,118,278

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2021

		<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	
	<u>General Fund</u>	<u>Downtown Redevelopment</u>	<u>Street Improvement</u>	<u>Community Development Block Grant</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 593,464	\$ 24,913	\$ 300,650	\$ -	\$ 919,027
Due from other funds	111,042	-	-	-	111,042
Prepaid expenses	7,000	-	-	-	7,000
Total assets	\$ 711,506	\$ 24,913	\$ 300,650	\$ -	\$ 1,037,069
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 31,530	\$ 18,450	\$ -	\$ -	\$ 49,980
Accrued liabilities	41,525	-	-	-	41,525
Due to other funds	95,940	40,000	-	-	135,940
Total liabilities	168,995	58,450	-	-	227,445
FUND BALANCES					
Restricted	-	(33,537)	300,650	-	267,113
Unassigned	542,511	-	-	-	542,511
Total fund balances	542,511	(33,537)	300,650	-	809,624
Total liabilities and fund balances	\$ 711,506	\$ 24,913	\$ 300,650	\$ -	

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	1,469,173
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	81,513
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	(211,957)
Long-term liabilities are not due in the current period and, therefore, are not reported in the funds	
FRS Pension Liability	(144,936)
Accrued compensated absences	(18,093)
Net position of governmental activities	\$ 1,985,324

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, 2021

		Special Revenue Funds		Capital Project Fund	
	General Fund	Downtown Redevelopment	Street Improvement	Community Development Block Grant	Total Governmental Funds
REVENUES					
Taxes	\$ 500,658	\$ 53,899	\$ -	\$ -	\$ 554,557
Licenses and permits	7,712	-	-	-	7,712
Fines	6,407	-	-	-	6,407
Intergovernmental	201,303	-	-	-	201,303
Charges for services	97,529	-	-	-	97,529
Miscellaneous	167,607	24	2,261	-	169,892
Total revenue	981,216	53,923	2,261	-	1,037,400
EXPENDITURES					
Current expenditures					
General government	324,391	-	19,264	-	343,655
Public safety	90,975	-	-	-	90,975
Transportation	268,284	-	-	-	268,284
Human services	13,090	-	-	-	13,090
Culture/recreation	178,971	135,193	-	-	314,164
Capital outlay					
Transportation	8,330	-	-	-	8,330
Total expenditures	884,041	135,193	19,264	-	1,038,498
Excess of revenues over (under) expenditures	97,175	(81,270)	(17,003)	-	(1,098)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	25,000	-	-	-	25,000
Total other financing sources (uses)	25,000	-	-	-	25,000
Net change in fund balances	122,175	(81,270)	(17,003)	-	23,902
Fund balances at beginning of year	420,336	47,733	317,653	-	785,722
Fund balances at end of year	\$ 542,511	\$ (33,537)	\$ 300,650	\$ -	\$ 809,624

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, 2021

Net change in fund balances - total government funds	\$	23,902
Amounts reported for governmental activities in the of activities are different because:		
Government funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital assets	8,330	
Less current year depreciation	(110,601)	
Loss on disposal of assets	(31,623)	(133,894)
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Net decrease in compensated absences		(4,092)
Net increase in pension liability		265,619
Net change in pension deferred outflows and inflows		(203,415)
Change in net position of governmental activities	\$	(51,880)

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2021

	Water Fund	Wastewater Fund	Solid Waste Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 309,732	\$ 452,004	\$ 108,615	\$ 870,351
Accounts receivable (net of allowance for uncollectible accounts)	57,186	61,827	-	119,013
Due from other funds	89,907	39,317	36,033	138,257
Total current assets	426,825	553,148	144,648	1,124,621
Restricted assets				
Cash	-	173,032	-	173,032
Cash customer deposits	-	256,850	-	256,850
Total restricted assets	-	429,882	-	429,882
Noncurrent assets				
Capital assets				
Not being depreciated:				
Land	-	541,813	-	541,813
Being depreciated:				
Buildings	30,000	105,000	-	135,000
Improvements other than buildings	2,736,195	4,085,918	-	6,822,113
Equipment	30,358	598,025	-	628,383
Allowance for depreciation	(1,853,369)	(4,193,454)	-	(5,846,823)
Total capital assets	1,143,184	1,137,302	-	2,280,486
Total assets	1,570,009	2,120,332	144,648	3,834,989
DEFERRED OUTFLOWS	30,605	33,884	3,758	68,217
LIABILITIES				
Current liabilities payable from current assets				
Accounts payable	23,323	2,877	19,331	45,531
Due to other funds	39,317	71,042	-	110,359
Total current liabilities payable from current assets	62,640	73,919	19,331	155,890
Current liabilities payable from restricted assets				
Deposits	840	77,494	-	78,334
Current portion serial bonds	-	33,000	-	33,000
Total current liabilities payable from restricted assets	840	110,494	-	111,334
Other liabilities				
Accrued leave payable	20,348	26,936	589	47,873
Vehicle loan - short term	-	6,837	-	6,837
Total other liabilities	20,348	33,773	589	54,710
Noncurrent liabilities				
Long-term liabilities				
Vehicle loan	-	12,519	-	12,519
SRF Loan	265,844	158,576	-	424,420
Serial bonds payable	-	713,000	-	713,000
Net pension liability	54,418	60,195	6,682	121,295
Total long-term liabilities	319,962	944,290	6,682	1,270,934
Total liabilities	403,790	1,162,476	26,602	1,592,868
DEFERRED INFLOWS	79,582	88,030	9,772	177,384
NET POSITION				
Invested in capital assets net of related debt	877,640	220,207	-	1,097,847
Restricted - debt service	-	173,032	-	173,032
Unrestricted	239,602	510,441	112,032	862,075
Total net position	\$ 1,117,242	\$ 903,680	\$ 112,032	\$ 2,132,954

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2021

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services				
Charges for services	\$ 282,166	\$ 971,102	\$ 238,293	\$ 1,491,561
Miscellaneous	38,476	29,584	-	68,060
Total operating revenues	320,642	1,000,686	238,293	1,559,621
OPERATING EXPENSES				
Personnel services	181,146	206,472	29,975	417,593
Operating expenses	211,976	783,567	180,203	1,175,746
Miscellaneous expenses	70,928	-	42,552	113,480
Depreciation and amortization	51,587	80,886	-	132,473
Total operating expenses	515,637	1,070,925	252,730	1,839,292
Operating income	(194,995)	(70,239)	(14,437)	(279,671)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	-	145	-	145
Interest expense	-	(35,052)	-	(35,052)
Grant revenue	1,091,804	541,770	-	1,633,574
Total nonoperating revenues (expenses)	1,091,804	506,863	-	1,598,667
Net income (loss) before operating transfers	896,809	436,624	(14,437)	1,318,996
OPERATING TRANSFERS				
Interfund transfers out				
Transfers	140,000	(165,000)	-	(25,000)
	140,000	(165,000)	-	(25,000)
Net income (loss)	1,036,809	271,624	(14,437)	1,293,996
Net position, beginning of year	80,433	632,056	126,469	838,958
Net position, end of year	\$ 1,117,242	\$ 903,680	\$ 112,032	\$ 2,132,954

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2021

	Water Fund	Wastewater Fund	Solid Waste Fund	Total
Cash flows from operating activities:				
Cash received from customers, including cash deposits	\$ 1,051,156	\$ 1,189,521	\$ 337,465	\$ 2,578,142
Cash paid to suppliers	(910,154)	(260,451)	(305,755)	(1,476,360)
Cash paid for employees and benefits	(481,148)	(106,472)	(59,975)	(647,593)
Net cash provided by operating activities	(340,144)	822,598	(28,265)	454,189
Cash flows from non-capital related financing activities:				
Interfund transfers and loans, net	140,000	(165,000)	-	(25,000)
Net cash provided by (used in) non-capital related financing activities	140,000	(165,000)	-	(25,000)
Cash flows from capital and related financing activities:				
Acquisition of fixed assets	-	(83,691)	-	(83,691)
Principal payments	3,890	(49,645)	-	(45,755)
Interest payments	(812)	(35,052)	-	(35,864)
Net cash used in capital and related financing activities	2,778	(168,388)	-	(165,610)
Cash flows from investing activities:				
Investment income	-	145	-	145
Net increase in cash	(197,366)	489,355	(28,265)	263,724
Cash, at beginning of year	507,098	392,531	136,880	1,036,509
Cash, at end of year	\$ 309,732	\$ 881,886	\$ 108,615	\$ 1,300,233
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ (194,995)	\$ (70,239)	\$ (14,437)	\$ (279,671)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	51,587	132,394	-	183,981
Deferred inflows	(72,914)	285,030	(19,438)	192,678
Deferred outflows	17,271	131,711	3,758	152,740
Net Pension liability	80,749	185,847	12,537	279,133
	76,693	734,982	(3,143)	808,532
Changes in assets decrease (increase) and liabilities (decrease) increase:				
Accounts receivable	(64,800)	(46,776)	-	(111,576)
Due from other funds	(71,507)	69,736	21,166	19,395
Accounts payable	3,123	2,877	19,331	25,331
Accrued liabilities	(35,800)	27,588	-	(8,212)
Due to other funds	(50,317)	-	(61,771)	(102,088)
Customer deposits	(840)	92,193	-	91,353
Compensated absences	(1,701)	12,237	589	11,125
Total adjustments	(145,149)	892,837	(13,828)	733,860
Net cash provided by operating activities	\$ (340,144)	\$ 822,598	\$ (28,265)	\$ 454,189

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

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.

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, Wastewater and Solid Waste Funds are proprietary funds. 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.

Effective in the current year, the City established separate Water, Wastewater, and Solid Waste funds from the prior Enterprise Fund to better track these activities.

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 sewer system upgrades.

2. Proprietary Major Funds:

Water - The Water Fund is used to account for the revenues, expenses, assets, and liabilities associated with the City's operated water services.

Wastewater - used to account for the revenues, expenses, assets, and liabilities associated with the City's sewer services.

Solid Waste - used to account for the revenues, expenses, assets and liabilities associated with the City's solid waste disposal service.

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, 2021, 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, 2021, this allowance account totaled \$3,207 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, 2021.
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 \$2,000 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 acquisition 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. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent received but not yet earned. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned 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 unearned revenues. During the current period, the City did not have any unearned 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, 2021, 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, 2021, fund balances are composed of the following:

	<u>Governmental Funds</u>
Restricted, transportation	\$ 300,650
Restricted, community redevelopment	(33,537)
Unassigned	542,511
	<u>\$ 809,624</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, 2021, net position balances are composed of the following:

	<u>Amount</u>
Invested in capital assets, net	\$ 1,097,847
Restricted - debt service	173,032
Unrestricted	862,075
	<u>\$ 2,132,954</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 \$809,624 differs from “net position” of governmental activities \$1,985,324 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

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

Cost of capital assets	\$ 18,842,640
Accumulated depreciation	(17,373,467)
Total	<u>\$ 1,469,173</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, 2021, were:

Compensated absences	\$ (18,093)
Net pension liability	(144,936)
Total	<u>\$ (163,029)</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	\$ 81,513
Deferred inflows	(211,957)
Total	<u>\$ (130,444)</u>

CITY OF LAKE BUTLER, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Pension Liability Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 919,027	\$ -	\$ -	\$ -	\$ 919,027
Due from other funds	111,042	-	-	-	111,042
Prepaid expenses	7,000	-	-	-	7,000
Capital assets, net	-	1,469,173	-	-	1,469,173
Total assets	1,037,069	1,469,173	-	-	2,506,242
DEFERRED OUTFLOWS	-	-	81,513	-	81,513
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	49,980	-	-	-	49,980
Accrued liabilities	41,525	-	-	-	41,525
Due to other funds	135,940	-	-	-	135,940
Accrued compensated absences	-	-	-	18,093	18,093
Net pension liability	-	-	144,936	-	144,936
Total liabilities	227,445	-	144,936	18,093	390,474
DEFERRED INFLOWS	-	-	211,957	-	211,957
FUND BALANCE/NET POSITION	\$ 809,624	\$ 1,469,173	\$ (275,380)	\$ (18,093)	\$ 1,985,324

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

The "net change in fund balances" for governmental funds \$23,902 differs from the "change in net position" for governmental activities \$(51,880) 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	\$ 8,330
Depreciation expense	(110,601)
Difference	<u>\$ (102,271)</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	\$ (4,092)
Net decrease in pension liability	265,619
Net change in deferred outflows and inflows	(203,415)
Total	<u>\$ 58,112</u>

CITY OF LAKE BUTLER, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Pension Liability Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Activities
REVENUES					
Taxes	\$ 554,557	\$ -	\$ -	\$ -	\$ 554,557
Licenses and permits	7,712	-	-	-	7,712
Fines	6,407	-	-	-	6,407
Intergovernmental	201,303	-	-	-	201,303
Charges for services	97,529	-	-	-	97,529
Miscellaneous	169,892	-	-	-	169,892
Total revenue	1,037,400	-	-	-	1,037,400
EXPENDITURES					
Current expenditures					
General government	343,655	19,518	(37,728)	4,092	329,537
Public safety	90,975	30,344	(1,576)	-	119,743
Transportation	268,284	17,474	(17,550)	-	268,208
Economic environment	-	763	-	-	763
Human services	13,090	-	(115)	-	12,975
Culture/recreation	314,164	42,502	(5,235)	-	351,431
Capital outlay					
Transportation	8,330	(8,330)	-	-	-
Total expenditures	1,038,498	102,271	(62,204)	4,092	1,082,657
Excess of revenues over (under) expenditures	(1,098)	(102,271)	62,204	(4,092)	(45,257)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	25,000	-	-	-	25,000
Asset disposals	-	(31,623)	-	-	(31,623)
Total other financing sources (uses)	25,000	(31,623)	-	-	25,000
Net change in fund balances/net position	23,902	(133,894)	62,204	(4,092)	(51,880)
Fund balances/net position at beginning of year	785,722	1,603,067	(337,584)	(14,001)	2,037,204
Fund balances/net position at end of year	\$ 809,624	\$ 1,469,173	\$ (275,380)	\$ (18,093)	\$ 1,985,324

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 \$2,219,260 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, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets:				
Not being depreciated:				
Land	\$ 84,551	\$ -	\$ -	\$ 84,551
Being depreciated:				
Buildings	2,962,761	-	-	2,962,761
Other improvements	15,551,590	-	(57,044)	15,494,546
Machinery and equipment	667,824	8,330	(375,372)	300,782
Total capital assets	19,266,726	8,330	(432,416)	18,842,640
Less accumulated depreciation	(17,663,659)	(110,601)	400,793	(17,373,467)
Governmental activities capital assets, net	\$ 1,603,067	\$ (102,271)	\$ (31,623)	\$ 1,469,173
Business-type activities:				
Not being depreciated:				
Land	\$ 541,813	\$ -	\$ -	\$ 541,813
Construction in progress	487,268	-	(487,268)	-
Being depreciated:				
Buildings	135,000	-	-	135,000
Improvements other than buildings	5,568,513	1,253,600	-	6,822,113
Machinery and equipment	386,909	283,728	(42,254)	628,383
Total capital assets	7,119,503	1,537,328	(529,522)	8,127,309
Less accumulated depreciation	(5,705,097)	(183,980)	42,254	(5,846,823)
Business-type activities capital assets, net.	\$ 1,414,406	\$ 1,353,348	\$ (487,268)	\$ 2,280,486

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

Governmental activities:	
General Government	\$ 19,518
Public Safety	30,344
Transportation	17,474
Parks and recreation	42,502
Economic	763
Total depreciation expense - governmental entities	\$ 110,601
Business-type activities:	
Water	\$ 51,586
Sewer	132,394
	\$ 183,980

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2021.

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 71,042	\$ 95,940
Water	59,907	39,317
Wastewater	39,317	71,042
Solid waste	36,033	-
	<u>\$ 206,299</u>	<u>\$ 206,299</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2021, consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Operating:		
General	\$ 25,000	\$ -
Enterprise	-	25,000
	<u>\$ 25,000</u>	<u>\$ 25,000</u>

Transfers were used for grant funded capital projects and operating expenditures. Equity transfers were used to establish the Wastewater and Solid Waste funds from the Water fund.

NOTE 9. RECEIVABLE AND PAYABLE BALANCES**Receivables**

Receivables at September 30, 2021, were as follows:

	<u>Account</u>	<u>Total Receivables</u>
Governmental activities:	\$ -	\$ -
Business-type activities:	119,013	\$ 119,013
	<u>\$ 119,013</u>	<u>\$ 119,013</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$3,207.

Payables

Payables at September 30, 2021, were as follows:

	<u>Vendors</u>
Governmental activities:	\$ 49,980
Business-type activities:	45,531
	<u>\$ 95,511</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, 2021:

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021	Due Within One Year
Compensated absences	\$ 14,001	\$ 4,092	\$ -	\$ 18,093	\$ 2,714
Pension liability	410,555	-	265,619	144,936	-
	<u>\$ 424,556</u>	<u>\$ 4,092</u>	<u>\$ 265,619</u>	<u>\$ 163,029</u>	<u>\$ 2,714</u>

Business-type Activities

A summary of proprietary fund debt as of September 30, 2021, 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. This bond issue was fully paid during the current fiscal year.

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, 2021, is \$745,000. The remaining bonds mature annually from September 1, 2006 through September 1, 2037, at averaged payments of \$66,352, including interest at 4.5%.

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

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 \$70,647 is attained. This reserve was fully funded at September 30, 2021.

Revenue bond debt service requirements to maturity, including \$388,981 of interest, are as follows:

<u>Fiscal year ending September 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2022	\$ 33,570	\$ 33,000	\$ 66,570
2023	31,997	34,000	65,997
2024	30,639	35,000	65,639
2025	28,935	38,000	66,935
2026	27,225	39,000	66,225
2027-2031	107,947	225,000	332,947
2032-2037	128,668	341,000	469,668
	<u>\$ 388,981</u>	<u>\$ 745,000</u>	<u>\$ 1,133,981</u>

Community State Bank Vehicle Loan - During the fiscal year ended September 2019, the City purchased a new truck. The scheduled monthly payments are \$632 including interest. Annual debt service requirements are as follows:

<u>Fiscal year ending September 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2022	\$ 524	\$ 7,063	\$ 7,587
2023	491	7,096	7,587
2024	61	6,104	6,165
Total	<u>\$ 1,076</u>	<u>\$ 20,263</u>	<u>\$ 21,339</u>

State Revolving Fund Loan - There is also a pre-construction SRF loan also originally approved in 2018 from the Florida Department of Environmental Protection for \$103,400, of which \$65,684 has been drawn during the current year. The proceeds were used for engineering studies related to the wastewater treatment plant. The loan is collateralized by a subordinate lien on net revenues of the sewer utility fund. Annual debt service requirements are as follows:

<u>Fiscal year ending September 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2022	1,495	4,771	\$ 6,266
2023	1,344	4,922	6,266
2024	1,188	5,077	6,265
2025	1,027	5,238	6,265
2026	827	5,438	6,265
2027-2030	658	23,346	24,004
	<u>\$ 6,539</u>	<u>\$ 48,792</u>	<u>\$ 55,331</u>

State Revolving Fund Loan - During the year, the City was approved by the Florida Department of Environmental Protection for \$202,740 for drinking water construction projects. The loan is repayable in 60 semi-annual payments of \$3,912 at an interest rate of .85%. Annual debt service requirements are as follows:

Fiscal year ending September 30	Interest	Principal	Total
2022	\$ 1,723	\$ 6,101	\$ 7,824
2023	1,671	6,153	7,824
2024	1,619	6,205	7,824
2025	1,566	6,258	7,824
2026	1,513	6,311	7,824
2027-2031	6,752	32,368	39,120
2032-2036	5,353	33,766	39,119
2037-2041	3,893	35,227	39,120
2042-2046	2,371	36,749	39,120
2047-2051	782	33,602	34,384
	<u>\$ 27,243</u>	<u>\$ 202,740</u>	<u>\$ 229,983</u>

Clean Water SRF Loan - During the year, the City was approved by the Florida Department of Environmental Protection for \$166,400 for clean water projects. The loan is repayable in 40 semi-annual payments of \$4,605 at an interest rate of 0.62%. Annual debt service requirements are as follows:

Fiscal year ending September 30	Interest	Principal	Total
2022	\$ 505	\$ 8,705	\$ 9,210
2023	479	8,731	9,210
2024	451	8,759	9,210
2025	424	8,786	9,210
2026	397	8,813	9,210
2027-2031	1,574	21,451	23,025
2032-2036	880	22,145	23,025
2037-2040	197	18,223	18,420
	<u>\$ 4,908</u>	<u>\$ 105,612</u>	<u>\$ 110,520</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021	Due Within One Year
Bonds payable	\$ 777,000	\$ -	\$ 31,000	\$ 746,000	\$ 33,000
SRF loan	256,155	-	3,983	252,172	11,570
Clean Water SRF	166,400	-	7,824	158,576	7,824
Vehicle loan payable	26,194	-	6,838	19,356	6,837
Compensated absences	28,640	19,232	-	47,872	7,181
Net pension liability	343,588	-	-	343,588	-
	<u>\$ 1,597,977</u>	<u>\$ 19,232</u>	<u>\$ 49,645</u>	<u>\$ 1,567,564</u>	<u>\$ 66,412</u>

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

Florida Retirement System:

General Information - All of the City's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county, government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, *Florida Administrative Code*. Amendments to the law can be made only by an act of the Florida State Legislature.

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

Pension Plan

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

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

members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

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

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

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively, were as follows: Regular—10.00% and 10.82%; Special Risk Administrative Support—35.84% and 37.76%; Special Risk—24.45% and 25.89%; Senior Management Service—27.29% and 29.01%; Elected Officers—39.73% and 40.91%; and DROP participants—16.98% and 18.34%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$77,140 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the City reported a liability of \$96,025 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of July 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the City's proportionate share was .001271204 percent, which was an increase of 7.62 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$(113,822). In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,459	\$ -
Changes in assumptions	65,705	-
Net difference between projected and actual earnings on Pension Plan investments	-	335,007
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	32,892	30,678
City Pension Plan contributions subsequent to the measurement date	<u>13,389</u>	<u>-</u>
Total	<u>\$ 128,445</u>	<u>\$ 365,685</u>

The deferred outflows of resources related to the Pension Plan, totaling \$13,389 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, 2021. 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:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2022	\$ (44,142)
2023	(51,474)
2024	(68,183)
2025	(87,372)
2026	542
Thereafter	-
	<u>\$ (250,629)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation
Discount note	6.80%

Mortality rates were based on the Pub 2010 base table generational mortality using the generational specific MP 2018 mortality impairment projection scales.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.10%	2.10%	1.10%
Fixed income	20.00%	3.80%	3.70%	3.30%
Global equity	54.20%	8.20%	6.70%	17.80%
Real estate	10.30%	7.10%	6.20%	13.80%
Private equity	10.80%	11.70%	8.50%	26.40%
Strategic investments	3.70%	5.70%	5.40%	8.40%
	<u>100.0%</u>			
Assumed Inflation - Mean			2.40%	1.20%

*As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.80%. 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 6.90%, 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 (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
Board's proportionate share of the net pension liability	<u>\$ 429,430</u>	<u>\$ 96,025</u>	<u>\$ (182,664)</u>

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, 2021, the City reported no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2021.

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, 2021, 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, 2021, the HIS contribution for the period October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021 was 1.66% and 1.06%, 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 \$9,078 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2021, the City reported a liability of \$170,207 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the City's proportionate share was .001387579 percent, which was a decrease of 3.83 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$(437). In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,696	\$ 71
Changes in assumptions	13,374	7,013
Net difference between projected and actual earnings on HIS Plan investments	177	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	-	16,571
City HIS Plan contributions subsequent to the measurement date	2,037	-
Total	<u>\$ 21,284</u>	<u>\$ 23,655</u>

The deferred outflows of resources related to the HIS Plan, totaling \$2,037 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, 2021. 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:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2022	\$ (1,214)
2023	(387)
2024	(798)
2025	(1,059)
2026	(792)
Thereafter	(158)
	<u>\$ (4,408)</u>

Actuarial Assumptions – The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.16%

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

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through September 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability was 2.16%. 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 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Board's proportionate share of the net pension liability	\$ 196,776	\$ 170,207	\$ 148,440

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, 2021, the City reported no payable outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2021.

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 2020-21 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2021, 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, 2020.

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.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) was characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NOTE 15. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Participating retirees are considered to receive a secondary benefit known as an “implicit rate subsidy”. This benefit relates to the assumption that the retirees are receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City’s younger and statistically healthier active employees. GASB Statement 45 requires governments to report this cost and related liability in its financial statements.

Due to the fact that there were no retirees participating in the plan during the year and it is anticipated that this situation will continue in the future due to the fact that most employees work until they are eligible for Medicare benefits, management had determined that the City’s OPEB obligation at year end would be of a de minimis amount. Management will monitor this situation in the future and take appropriate steps to properly comply with this GASB Statement.

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, 2021**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad Valorem taxes	\$ 78,000	\$ 84,000	\$ 83,541	\$ (459)
Sales and use taxes				
Local option gas tax/alternative fuel	41,000	43,300	43,235	(65)
Discretionary sales tax	109,000	139,000	138,891	(109)
Franchise fees				
Electricity	135,000	128,000	127,855	(145)
Utility service taxes				
Electricity	36,000	36,000	36,149	149
Gas	3,000	3,000	2,663	(337)
Communications services tax	66,000	68,300	68,324	24
Total taxes	468,000	501,600	500,658	(942)
Licenses and permits				
City occupational licenses	8,600	6,900	6,837	(63)
Other licenses and permits	1,000	600	875	275
Total licenses and permits	9,600	7,500	7,712	212
Fines	10,000	6,500	6,407	(93)
Intergovernmental				
Federal payments in lieu of taxes				
Union County Housing Authority	7,000	14,000	13,337	(663)
Grants and aid	-	-	2,775	2,775
State shared revenues				
General government				
State revenue sharing	87,000	99,000	98,681	(319)
Municipal gas tax	21,000	31,800	31,431	(69)
Mobile home licenses	1,000	1,000	1,068	68
Alcoholic beverage licenses	800	1,300	1,059	(241)
Local government half-cent sales tax	45,000	52,000	52,952	952
Total intergovernmental	161,800	198,800	201,303	2,503
Charges for services				
Physical Environment	5,000	3,200	3,700	500
Transportation				
Street maintenance	81,000	108,400	93,829	(14,571)
Total charges for services	86,000	111,600	97,529	(14,071)
Miscellaneous				
Interest	600	600	294	(306)
Rents and royalties				
Community Center	20,000	21,000	20,792	(208)
Other rentals	22,000	19,700	19,669	(31)
Special events	2,000	1,000	-	(1,000)
Other	2,000	3,800	126,852	123,052
Total miscellaneous	46,600	46,100	167,607	121,507
Total revenues	782,000	872,100	981,216	109,116

**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, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
EXPENDITURES				
General government				
Legislative				
Personnel services	\$ 70,900	\$ 76,100	\$ 74,899	\$ 1,201
Operating expenses	7,200	4,700	4,478	222
Total legislative	78,100	80,800	79,377	1,423
Executive				
Personnel services	60,300	52,400	52,719	(319)
Operating expenses	34,900	27,000	20,185	6,815
Total executive	95,200	79,400	72,904	6,496
Financial and administrative				
Personnel services	19,500	31,650	40,447	(8,797)
Operating expenses	82,900	95,100	95,036	64
Capital outlay	-	700	-	700
Total financial and administrative	102,400	127,450	135,483	(8,033)
Legal counsel				
Operating expenses	15,000	15,000	12,814	2,186
	15,000	15,000	12,814	2,186
Other general government				
Personnel services	17,200	17,200	17,224	(24)
Operating expenses	6,700	4,800	6,589	(1,989)
Total other general government	23,900	21,800	23,813	(1,989)
Total general government	314,600	324,450	324,391	83
Public safety				
Law enforcement				
Operating expenses	75,000	75,000	75,000	-
Total code and law enforcement	75,000	75,000	75,000	-
Fire control				
Operating expenses	3,000	3,000	1,388	1,612
Total fire control	3,000	3,000	1,388	1,612
Other public safety				
Personnel services	20,000	20,000	14,331	5,669
Operating expenses	400	400	256	144
Total other public safety	20,400	20,400	14,587	5,813
Total public safety	98,400	98,400	90,975	7,424
Physical environment				
Operating expense	-	2,600	2,545	55
Total physical environment	-	2,600	2,545	55
Transportation				
Roads and streets				
Personnel services	136,500	116,650	108,817	7,833
Operating expenses	133,100	155,700	159,467	(3,767)
Capital outlay	-	8,400	8,330	70
Total transportation	269,600	280,750	276,614	4,137

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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
Human services				
Animal control				
Personnel services	\$ 3,700	\$ 3,700	\$ 2,293	\$ 1,407
Operating expenses	3,300	3,300	2,154	1,146
Mosquito control				
Operating expenses	4,100	4,100	6,098	(1,998)
Total human services	11,100	11,100	10,545	555
Culture/recreation				
Parks and recreation				
Personnel services	43,600	49,500	48,470	1,030
Operating expenses	104,600	140,800	130,501	10,299
Total culture and recreation	148,200	190,300	178,971	11,329
Total expenditures	841,900	907,600	884,041	23,553
Excess of revenues over (under) expenditures	(59,900)	(35,500)	97,175	132,699
OTHER FINANCING SOURCES				
Interfund transfers in	35,000	35,000	25,000	(10,000)
	35,000	35,000	25,000	(10,000)
Net change in fund balance	(24,900)	(500)	122,175	122,675
Fund balance at beginning of year	420,336	420,336	420,336	-
Fund balance at end of year	\$ 395,436	\$ 419,836	\$ 542,511	122,675

**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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With Final Budget Positive (Negative)</u>
REVENUES				
Taxes				
Advalorem taxes	\$ 51,000	\$ 54,200	\$ 53,899	\$ (301)
Miscellaneous				
Interest	100	100	24	(76)
Total revenues	<u>51,100</u>	<u>54,300</u>	<u>53,923</u>	<u>(377)</u>
EXPENDITURES				
Economic environment				
Operating expenses	<u>61,000</u>	<u>117,300</u>	<u>135,193</u>	<u>25,944</u>
	<u>61,000</u>	<u>117,300</u>	<u>135,193</u>	<u>25,944</u>
Excess of revenues over (under)				
expenditures	<u>(9,900)</u>	<u>(63,000)</u>	<u>(81,270)</u>	<u>(18,270)</u>
Net change in fund balances	<u>(9,900)</u>	<u>(63,000)</u>	<u>(81,270)</u>	<u>(18,270)</u>
Fund balance at beginning of year	<u>47,733</u>	<u>47,733</u>	<u>47,733</u>	<u>-</u>
Fund balance at end of year	<u>\$ 37,833</u>	<u>\$ (15,267)</u>	<u>\$ (33,537)</u>	<u>\$ (18,270)</u>

**CITY OF LAKE BUTLER, FLORIDA
STREET IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
REVENUES				
Miscellaneous				
Interest	\$ 400	\$ 400	\$ 113	\$ 287
Other	-	-	2,148	(2,148)
Total revenues	400	400	2,261	(1,861)
EXPENDITURES				
Economic environment				
Operating expenses	50,000	19,300	19,264	36
	50,000	19,300	19,264	36
Excess of revenues over (under)				
expenditures	(49,600)	(18,900)	(17,003)	1,897
Net change in fund balance	(49,600)	(18,900)	(17,003)	1,897
Fund balance at beginning of				
year	317,653	317,653	317,653	-
Fund balance at end of year	\$ 268,053	\$ 298,753	\$ 300,650	\$ 1,897

**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, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget Positive (Negative)
OTHER FINANCING USES				
Interfund Transfers Out	\$ -	\$ -	\$ -	\$ -
	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance at beginning of year	98	98	-	(98)
Fund balance at end of year	\$ 98	\$ 98	\$ -	\$ (98)

**CITY OF LAKE BUTLER, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021**

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*

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the FRS net pension liability (asset)	0.001271204%	0.001181247%	0.001324748%	0.001374944%	0.001383890%	0.001097540%	0.001159024%
City's proportionate share of the FRS net pension liability (asset)	\$ 96,025	\$ 577,970	\$ 456,225	\$ 414,140	\$ 409,345	\$ 277,130	\$ 149,703
City's proportion of the HIS net pension liability (asset)	0.001387579%	0.001442881%	0.001545372%	0.001560951%	0.001588008%	0.001620261%	0.001642268%
City's proportionate share of the HIS net pension liability (asset)	170,207	176,173	172,912	165,213	169,797	188,835	167,486
City's proportionate share of the total net pension liability (asset)	<u>\$ 266,232</u>	<u>\$ 754,143</u>	<u>\$ 629,137</u>	<u>\$ 579,353</u>	<u>\$ 579,142</u>	<u>\$ 465,965</u>	<u>\$ 317,189</u>
City's covered-employee payroll	\$ 601,957	\$ 653,071	\$ 607,266	\$ 613,565	\$ 585,070	\$ 579,342	\$ 555,381
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.23%	115.48%	103.60%	94.42%	98.99%	80.43%	57.11%
Plan fiduciary net position as a percentage of the total pension liability	91.09%	74.46%	78.22%	79.86%	83.89%	79.36%	92.00%

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***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required FRS contribution	\$ 53,903	\$ 42,266	\$ 43,917	\$ 43,115	\$ 42,849	\$ 30,953	\$ 32,994
Contractually required HIS contribution	9,078	8,954	9,174	9,314	17,774	9,604	7,243
Total Contractually Required Contributions	<u>62,981</u>	<u>51,220</u>	<u>\$ 53,091</u>	<u>52,429</u>	<u>60,623</u>	<u>40,557</u>	<u>40,237</u>
Contributions in relation to the contractually required contribution	<u>(62,981)</u>	<u>(51,220)</u>	<u>\$ (53,091)</u>	<u>(52,429)</u>	<u>(60,623)</u>	<u>(40,557)</u>	<u>(40,237)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Administration's covered-employee payroll	\$601,957	\$653,071	\$600,702	\$652,960	\$585,070	\$579,340	\$555,381
Contributions as a percentage of covered-employee payroll	10.46%	7.84%	8.84%	8.03%	10.36%	7.00%	7.24%

*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, 2020**

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, 2021, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 209,636,046	\$ 12,719,121
Plan fiduciary net position	(202,082,183)	(452,618)
	<u>\$ 7,553,863</u>	<u>\$ 12,266,503</u>

Plan fiduciary net position as a percentage
of the total pension liability

96.40%

3.56%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2021. 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, 2021. 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, through June 30, 2021, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2021, 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 2.40%. 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 6.80%. 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 2.16% 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 2020:

- **FRS:** The long-term expected rate of return was decreased from 6.90% to 6.80%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.
- **HIS:** The municipal rate used to determine total pension liability was decreased from 2.21% to 2.16%.

COMPLIANCE SECTION

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, 2021, 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 June 15, 2022.

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.

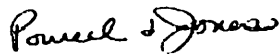
Compliance and Other Matters

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.



POWELL & JONES
Certified Public Accountants
Lake City, Florida
June 15, 2022

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, 2021, 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

2021-1

Bank Statement Reconciliations

From our audit of cash, cash equivalents, and bank statement reconciliations, we found that the reconciliations were not appropriate support for book balances, outstanding checks, or deposits in transit. This resulted in bank and book balance not being properly reconciled as well as a complete audit trail for cash receipts being deposited and checks disbursed. We recommend that all bank statements be reconciled on a monthly basis and that outstanding items be reconciled in detail.

2021-2

Balance Sheet Ending Balances

From our audit of ending balances in each of the City's funds, we found that a significant amount of trial balance ending balances were either not supported or entirely inaccurate. This resulted in balance sheet classifications not properly reflecting items such as receivables and payables after the period, loan balances, and fixed assets amount. Additional auditing procedures were performed to ensure that balances were not materially misstated. We recommend that the City appropriately accrue receivables and payables, correct loan amounts to proper ending balances, and adjust fixed assets per schedules provided.

AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

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.

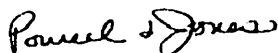
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

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, 2021, 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
Lake City, Florida
June 15, 2022

INDEPENDENT ACCOUNTANT'S REPORT

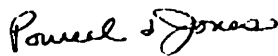
To the Mayor and
Members of the City Commission
City of Lake Butler, Florida

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, 2021. We also examined the City's compliance with Sections 163.387(6) and (7), *Florida Statutes* regarding the Lake Butler Community Redevelopment Agency during the year ended September 30, 2021. 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, 2021.

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
Lake City, Florida
June 15, 2022

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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, 2021. 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 June 15, 2022.

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

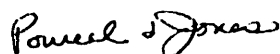
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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
Lake City, Florida
June 15, 2022