

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2022

CITY OF LAKE BUTLER, FLORIDA
ANNUAL FINANCIAL REPORT
September 30, 2022
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INTRODUCTORY SECTION

**CITY OF LAKE BUTLER, FLORIDA
LIST OF PRINCIPAL OFFICIALS
September 30, 2022**

MAYOR

Jack Schenck

VICE MAYOR

Annette Redman

CITY COMMISSION

Fred Sirmones

Melissa Hendrix

David Stegall

CITY MANAGER

Dale Walker

CITY ATTORNEY

John E. Maines, IV

FINANCIAL STATEMENTS



Powell and Jones CPA

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Lake City, FL 32025
Phone 386.755.4200
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lake Butler, Florida (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

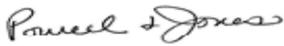
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, as required by Chapter 10.550, *Rules of the State of Florida Office of the Auditor General*, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2023, 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 and Jones CPA
Lake City, Florida
May 29, 2023

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's (the "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 three 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, 2022 and 2021

	Governmental	Business-type	Total Government	
	Activities	Activities	2022	2021
Assets				
Cash and cash equivalents	\$ 840,324	\$ 845,378	\$ 1,685,702	\$ 2,219,260
Other assets	(84,411)	251,146	166,735	126,013
Capital assets	<u>1,391,727</u>	<u>3,063,995</u>	<u>4,455,722</u>	<u>3,749,659</u>
Total assets	<u>2,147,640</u>	<u>4,160,519</u>	<u>6,308,159</u>	<u>6,094,932</u>
Deferred outflows	<u>58,135</u>	<u>116,869</u>	<u>175,004</u>	<u>149,730</u>
Liabilities				
Current liabilities	38,314	262,878	301,192	260,748
Long term liabilities	<u>401,056</u>	<u>1,680,469</u>	<u>2,081,524</u>	<u>1,476,295</u>
Total liabilities	<u>439,370</u>	<u>1,943,346</u>	<u>2,382,716</u>	<u>1,737,043</u>
Deferred inflows	<u>177,363</u>	<u>28,952</u>	<u>206,315</u>	<u>389,341</u>
Net position				
Invested in capital assets, net of related debt	1,391,727	1,698,682	3,090,409	2,560,183
Restricted for				
Road projects	276,631	-	276,631	300,650
Other purposes	-	172,755	172,755	139,495
Unrestricted	<u>(79,316)</u>	<u>433,653</u>	<u>354,337</u>	<u>1,117,950</u>
Total net position	<u>\$ 1,589,042</u>	<u>\$ 2,305,090</u>	<u>\$ 3,894,132</u>	<u>\$ 4,118,278</u>

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

Restricted assets consist of earmarked funds of \$276,631 for street improvements and \$172,755 in the City's Proprietary Fund.

The City's net position decreased \$224,146 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, 2022 and 2021

	Governmental Activities	Business-type Activities	Total Government	
			2022	2021
Revenues				
Program revenues				
Charges for services	\$ 105,930	\$ 1,358,083	\$ 1,464,013	\$ 1,361,360
Grants and contributions	-	1,827,691	1,827,691	111,528
General revenues				
Taxes	459,705	-	459,705	406,059
Franchise fees	147,656	-	147,656	123,762
State shared revenues	214,086	-	214,086	156,993
Interest	295	337	632	2,168
Rents, royalties and other	61,708	64,098	125,806	47,331
Total revenues	<u>989,380</u>	<u>3,250,209</u>	<u>4,239,589</u>	<u>2,209,201</u>
Expenses				
General government	533,464	-	533,464	409,410
Public safety	116,187	-	116,187	131,794
Transportation	425,491	-	425,491	313,701
Economic environment	763	-	763	763
Human services	23,939	-	23,939	17,020
Culture/recreation	330,818	-	330,818	272,808
Interest on long-term debt	-	36,018	36,018	37,079
Water	-	535,792	535,792	514,643
Solid waste	-	210,349	210,349	218,508
Wastewater	-	2,250,914	2,250,914	712,490
Total expenses	<u>1,430,662</u>	<u>3,033,073</u>	<u>4,463,735</u>	<u>2,628,216</u>
Transfers in (out)	<u>45,000</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>
Change in net position	(396,282)	172,136	(224,146)	(419,015)
Beginning net position	<u>1,985,324</u>	<u>2,132,954</u>	<u>4,118,278</u>	<u>3,295,177</u>
Ending net position	<u>\$ 1,589,042</u>	<u>\$ 2,305,090</u>	<u>\$ 3,894,132</u>	<u>\$ 2,876,162</u>

Governmental activities:

Taxes provide 46.5% of the revenues for Governmental Activities, while franchise fees provide 14.9% and state-shared revenues 21.6%. Most of the Governmental Activities resources are spent for General Government 37.3%, Transportation 29.7%, and Culture/Recreation 23.1%.

Business-type activities:

Business-type activities increased the City's net position by \$172,136. This was primarily due to capital grants received.

Unrestricted Balances

The City had the following unrestricted balances as of September 30, 2022:

	<u>General Fund</u>	<u>Downtown Redevelopment</u>	<u>Street Improvement</u>	<u>Total Governmental</u>		
Unrestricted net position	\$ (55,768)	\$ (23,548)	\$ -	\$ (79,316)		
Unrestricted cash	\$ 558,794	\$ 4,899	\$ 276,631	\$ 840,324		

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Total Business-type</u>	<u>Total City</u>
Unrestricted net position	\$ (3,568)	\$ 275,233	\$ 161,988	\$ 433,653	\$ 354,337
Unrestricted cash	\$ 78,027	\$ 387,096	\$ 127,873	\$ 592,996	\$ 1,433,320

Budgetary Highlights

The General Fund budget was over expended by \$(172,741) and the Downtown Redevelopment Fund was over expended by \$(57,111) for a total of (\$229,852).

Capital Assets and Debt Administration

Capital Assets

At September 30, 2022, the City had \$4.46 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 \$706,887 or 18.85% 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, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Not being depreciated:						
Land	\$ 84,551	\$ 84,551	\$ 1,189,877	\$ 541,813	\$ 1,274,428	\$ 626,364
CIP	-	-	118,382	-	118,382	-
Being depreciated:						
Buildings	2,962,761	2,962,761	135,000	135,000	3,097,761	3,097,761
Improvements	15,494,546	15,494,546	6,882,743	6,822,113	22,377,289	22,316,659
Equipment	318,086	300,782	721,104	628,383	1,039,190	929,165
Subtotal	18,859,944	18,842,640	9,047,106	8,127,309	27,907,050	26,969,949
Accumulated depreciation	(17,468,217)	(17,373,467)	(5,982,287)	(5,846,823)	(23,450,504)	(23,220,290)
Capital assets, net	<u>\$ 1,391,727</u>	<u>\$ 1,469,173</u>	<u>\$ 3,064,819</u>	<u>\$ 2,280,486</u>	<u>\$ 4,456,546</u>	<u>\$ 3,749,659</u>

Debt Outstanding

At year-end, the City had \$2,133,019 in debt outstanding versus \$1,516,124 last year, an increase of \$616,895. This was primarily due to a large increase in the net pension liability of the City.

Debt Outstanding at September 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenue bonds	\$ -	\$ -	\$ 712,000	\$ 746,000	\$ 712,000	\$ 746,000
SRF loans payable	-	-	242,013	252,172	242,013	252,172
CW SRF loan payable	-	-	411,300	166,400	411,300	166,400
Vehicle loan payable	-	-	-	19,356	-	19,356
Compensated absences	11,361	18,093	37,390	47,872	48,751	65,965
Net Pension liability	391,399	144,936	327,556	121,295	718,955	266,231
Total	<u>\$ 402,760</u>	<u>\$ 163,029</u>	<u>\$ 1,730,259</u>	<u>\$ 1,353,095</u>	<u>\$ 2,133,019</u>	<u>\$ 1,516,124</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 3.7%. This rate represents an increase from the prior year rate of 3.6%.
- The official population for the City in 2022 was 1,950 and is estimated to be approximately the same in 2023.
- The ad valorem tax rate for the City was 2.7500 mills in 2022.

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, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 840,324	\$ 592,996	\$ 1,433,320
Accounts receivable - net	412	129,422	129,834
Prepaid expenses	36,901	-	36,901
Internal balances	(121,724)	121,724	-
Total current assets	<u>755,913</u>	<u>844,142</u>	<u>1,600,055</u>
Noncurrent assets			
Restricted assets			
Cash	-	172,755	172,755
Cash - customer deposits	-	79,627	79,627
Total restricted assets	<u>-</u>	<u>252,382</u>	<u>252,382</u>
Capital assets			
Land	84,551	541,813	626,364
Construction in progress	-	487,268	487,268
Depreciable capital assets, net	1,307,176	2,034,914	3,342,090
Capital assets - net	<u>1,391,727</u>	<u>3,063,995</u>	<u>4,455,722</u>
Total assets	<u>2,147,640</u>	<u>4,160,519</u>	<u>6,308,159</u>
DEFERRED OUTFLOWS	<u>58,135</u>	<u>116,869</u>	<u>175,004</u>
LIABILITIES			
Current liabilities payable from current assets			
Accounts payable	12,232	130,632	142,864
Accrued liabilities	24,378	2,828	27,206
Accrued compensated absences, current portion	1,704	5,609	7,313
SRF Loans, current portion	-	10,182	10,182
Total current liabilities payable from current assets	<u>38,314</u>	<u>149,251</u>	<u>187,565</u>
Current liabilities payable from restricted assets			
Deposits	-	79,627	79,627
Serial bonds payable, current portion	-	34,000	34,000
Total current liabilities payable from restricted assets	<u>-</u>	<u>113,627</u>	<u>113,627</u>
Noncurrent liabilities			
SRF Loans, net of current portion	-	231,831	231,831
Clean Water SRF Loan, net of current portion	-	411,300	411,300
Serial bonds payable, net of current portion	-	678,000	678,000
Accrued compensated absences	9,657	31,782	41,438
Net pension liability	391,399	327,556	718,955
Total noncurrent liabilities	<u>401,056</u>	<u>1,680,469</u>	<u>2,081,524</u>
Total liabilities	<u>439,370</u>	<u>1,943,346</u>	<u>2,382,716</u>
DEFERRED INFLOWS	<u>177,363</u>	<u>28,952</u>	<u>206,315</u>
NET POSITION			
Invested in capital assets net of related debt	1,391,727	1,698,682	3,090,409
Restricted for:			
Road projects	276,631	-	276,631
Other purposes	-	172,755	172,755
Unrestricted	(79,316)	433,653	354,337
Total net position	<u>\$ 1,589,042</u>	<u>\$ 2,305,090</u>	<u>\$ 3,894,132</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2022

	<u>Special Revenue Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Downtown Redevelopment</u>	<u>Street Improvement</u>	
ASSETS				
Cash and cash equivalents	\$ 558,794	\$ 4,899	\$ 276,631	\$ 840,324
Accounts receivable	412	-	-	412
Due from other funds	35,321	-	-	35,321
Prepaid	36,901	-	-	36,901
Total assets	<u>\$ 631,428</u>	<u>\$ 4,899</u>	<u>\$ 276,631</u>	<u>\$ 912,958</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 12,232	\$ -	\$ -	\$ 12,232
Accrued liabilities	24,378	-	-	24,378
Due to other funds	128,598	28,447	-	157,045
Total liabilities	<u>165,208</u>	<u>28,447</u>	<u>-</u>	<u>193,655</u>
FUND BALANCES				
Nonspendable	36,901	-	-	36,901
Restricted	-	-	276,631	276,631
Unassigned	429,319	(23,548)	-	405,771
Total fund balances	<u>466,220</u>	<u>(23,548)</u>	<u>276,631</u>	<u>719,303</u>
Total liabilities and fund balances	<u>\$ 631,428</u>	<u>\$ 4,899</u>	<u>\$ 276,631</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,391,727
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	58,135
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	(177,363)
Long-term liabilities are not due in the current period and, therefore, are not reported in the funds	
FRS Pension Liability	(391,399)
Accrued compensated absences	(11,361)
Net position of governmental activities	<u>\$ 1,589,042</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2022

	<u>Special Revenue Funds</u>			Total Governmental Funds
	General Fund	Downtown Redevelopment	Street Improvement	
REVENUES				
Taxes	\$ 572,059	\$ 35,302	\$ -	\$ 607,361
Licenses and permits	11,695	-	-	11,695
Fines	7,151	-	-	7,151
Intergovernmental	214,086	-	-	214,086
Charges for services	87,084	-	-	87,084
Miscellaneous	52,199	9,517	287	62,003
Total revenue	944,274	44,819	287	989,380
EXPENDITURES				
Current expenditures				
General government	352,265	-	24,306	376,571
Public safety	95,845	-	-	95,845
Transportation	343,364	-	-	343,364
Human services	23,506	-	-	23,506
Culture/recreation	233,281	34,830	-	268,111
Capital outlay				
General government	4,388	-	-	4,388
Transportation	12,916	-	-	12,916
Total expenditures	1,065,565	34,830	24,306	1,124,701
Excess of revenues over (under) expenditures	(121,291)	9,989	(24,019)	(135,321)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	45,000	-	-	45,000
Total other financing sources (uses)	45,000	-	-	45,000
Net change in fund balances	(76,291)	9,989	(24,019)	(90,321)
Fund balances at beginning of year	542,511	(33,537)	300,650	809,624
Fund balances at end of year	\$ 466,220	\$ (23,548)	\$ 276,631	\$ 719,303

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, 2022

Net change in fund balances - total government funds		\$ (90,321)
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	17,304	
Less current year depreciation	(94,750)	(77,446)
 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 change in compensated absences		6,732
Net change in pension liability		(246,463)
Net change in pension deferred outflows and inflows		11,216
Change in net position of governmental activities		<u>\$ (396,282)</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2022

	Water Fund	Wastewater Fund	Solid Waste Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 78,027	\$ 387,096	\$ 127,873	\$ 592,996
Accounts receivable (net of allowance for uncollectible accounts)	53,200	56,375	19,847	129,422
Due from other funds	-	100,391	28,257	128,648
Total current assets	131,227	543,862	175,977	851,066
Restricted assets				
Cash	-	172,755	-	172,755
Cash - customer deposits	-	79,627	-	79,627
Total restricted assets	-	252,382	-	252,382
Noncurrent assets				
Capital assets				
Not being depreciated:				
Land	-	1,189,877	-	1,189,877
Construction in progress	-	118,382	-	118,382
Being depreciated:				
Buildings	30,000	105,000	-	135,000
Improvements other than buildings	2,796,825	4,085,918	-	6,882,743
Equipment	80,184	640,097	-	720,281
Allowance for depreciation	(1,701,898)	(4,280,390)	-	(5,982,288)
Total capital assets	1,205,111	1,858,884	-	3,063,995
Total assets	1,336,338	2,655,128	175,977	4,167,443
DEFERRED OUTFLOWS	52,432	57,998	6,439	116,869
LIABILITIES				
Current liabilities payable from current assets				
Accounts payable	3,081	127,551	-	130,632
Accrued liabilities	1,215	1,470	143	2,828
Due to other funds	6,924	-	-	6,924
Total current liabilities payable from current assets	11,220	129,021	143	140,384
Current liabilities payable from restricted assets				
Deposits	-	79,627	-	79,627
Current portion serial bonds	-	34,000	-	34,000
Total current liabilities payable from restricted assets	-	113,627	-	113,627
Other liabilities				
Accrued leave payable	16,064	20,682	644	37,390
SRF Loans, current portion	10,182	-	-	10,182
Total other liabilities	26,246	20,682	644	47,572
Noncurrent liabilities				
Long-term liabilities				
SRF Loans, net of current portion	231,831	-	-	231,831
Clean Water SRF Loan, net of current portion	-	411,300	-	411,300
Serial bonds payable, net of current portion	-	678,000	-	678,000
Net pension liability	146,954	162,556	18,046	327,556
Total long-term liabilities	378,785	1,251,856	18,046	1,648,687
Total liabilities	416,251	1,515,186	18,833	1,950,270
DEFERRED INFLOWS	12,989	14,368	1,595	28,952
NET POSITION				
Invested in capital assets net of related debt	963,098	735,584	-	1,698,682
Restricted - debt service	-	172,755	-	172,755
Unrestricted	(3,568)	275,233	161,988	433,653
Total net position	\$ 959,530	\$ 1,183,572	\$ 161,988	\$ 2,305,090

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, 2022

	Water Fund	Wastewater Fund	Solid Waste Fund	Total
OPERATING REVENUES				
Charges for services				
Charges for services	\$ 335,439	\$ 762,339	\$ 260,305	\$ 1,358,083
Miscellaneous	64,098	-	-	64,098
Total operating revenues	399,537	762,339	260,305	1,422,181
OPERATING EXPENSES				
Personnel services	271,350	320,048	29,171	620,569
Operating expenses	215,913	1,717,778	181,178	2,114,869
Miscellaneous expenses	-	118,398	-	118,398
Depreciation	48,529	94,690	-	143,219
Total operating expenses	535,792	2,250,914	210,349	2,997,055
Operating income (loss)	(136,255)	(1,488,575)	49,956	(1,574,874)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	-	337	-	337
Interest expense	(1,457)	(34,561)	-	(36,018)
Grant revenue	-	1,827,691	-	1,827,691
Total nonoperating revenues (expenses)	(1,457)	1,793,467	-	1,792,010
Net income (loss) before operating transfers	(137,712)	304,892	49,956	217,136
OPERATING TRANSFERS				
Interfund transfers In (out)				
Transfers	(20,000)	(25,000)	-	(45,000)
	(20,000)	(25,000)	-	(45,000)
Net income (loss)	(157,712)	279,892	49,956	172,136
Net position at beginning of year	1,117,242	903,680	112,032	2,132,954
Net position at end of year	\$ 959,530	\$ 1,183,572	\$ 161,988	\$ 2,305,090

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2022

	Water Fund	Wastewater Fund	Solid Waste Fund	Total
Cash flows from operating activities:				
Cash received from customers, including cash deposits	\$ 402,684	\$ 769,924	\$ 240,458	\$ 1,413,066
Cash paid to suppliers	(236,161)	(1,719,262)	(200,509)	(2,155,932)
Cash paid for employees and benefits	(270,553)	(320,527)	(28,467)	(619,547)
Net cash provided by (used in) operating activities	(104,030)	(1,269,865)	11,482	(1,362,413)
Cash flows from non-capital related financing activities:				
Interfund transfers and loans, net	7,769	(156,860)	7,776	(141,315)
Non-operating revenue	-	2,080,415	-	-
Net cash provided by non-capital related financing activities	7,769	1,923,555	7,776	(141,315)
Cash flows from capital and related financing activities:				
Acquisition of fixed assets	(110,456)	(808,518)	-	(918,974)
Principal payments	(23,531)	(53,356)	-	(76,887)
Interest payments	(1,457)	(34,561)	-	(36,018)
Net cash provided by (used in) capital and related financing activities	(135,444)	(896,435)	-	(1,031,879)
Cash flows from investing activities:				
Interest income	-	337	-	337
Net Increase (decrease) in cash	(231,705)	(242,408)	19,258	(454,855)
Cash at beginning of year	309,732	881,886	108,615	1,300,233
Cash at end of year	\$ 78,027	\$ 639,478	\$ 127,873	\$ 845,378
Reconciliation of operating gain (loss) to net cash provided by operating activities				
Operating gain (loss)	\$ (136,255)	\$ (1,488,575)	\$ 49,956	\$ (1,574,874)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	48,529	94,690	-	143,219
Deferred Inflows	(66,593)	(73,662)	(8,177)	(148,432)
Deferred outflows	(21,827)	(24,144)	(2,681)	(48,652)
Net Pension Liability	92,536	102,361	11,364	206,261
	52,645	99,245	506	152,396
Changes in assets decrease (Increase) and liabilities (decrease) Increase:				
Accounts receivable	3,986	5,452	(19,847)	(10,409)
Accounts payable	(20,497)	116,664	(19,331)	76,836
Accrued liabilities	1,215	1,470	143	2,828
Customer deposits	(840)	2,133	-	1,293
Compensated absences	(4,284)	(6,254)	55	(10,483)
Total adjustments	32,225	218,710	(38,474)	212,461
Net cash provided by (used in) operating activities	\$ (104,030)	\$ (1,269,865)	\$ 11,482	\$ (1,362,413)

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

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.

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.

1. Governmental 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.

2. Proprietary 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.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Cash Equivalents - includes all bank demand deposits, certificates of deposit, money-market and savings accounts, and all short-term highly liquid investment securities with a maturity of three months or less when purchased. On September 30, 2022 all of the City's cash and investments met this definition.

2. Allowance for Doubtful Accounts - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2022, this allowance account totaled \$6,735 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, 2022.

3. Interfund Balances - 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.”

4. **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.
5. **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.

6. **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.
7. **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

8. **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.
9. **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.

10. 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.

11. Fund Balances -

A. Governmental Funds

As of September 30, 2022, 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, 2022, fund balances are composed of the following:

	<u>Governmental Funds</u>
Nonspendable - prepaids	\$ 36,901
Restricted, transportation	276,631
Unassigned	405,771
	<u>\$ 719,303</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 spent 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, 2022, net position balances are composed of the following:

	<u>Amount</u>
Invested in capital assets, net	\$ 1,698,682
Restricted - debt service	172,755
Unrestricted	433,653
	<u>\$ 2,305,090</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 \$719,303 differs from “net position” of governmental activities \$1,589,042 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	\$ 18,859,944
Accumulated depreciation	<u>(17,468,217)</u>
Total	<u>\$ 1,391,727</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, 2022, were:

Compensated absences	\$ (11,361)
Net pension liability	<u>(391,399)</u>
Total	<u>\$ (402,760)</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	\$ 58,135
Deferred inflows	<u>(177,363)</u>
Total	<u>\$ (119,228)</u>

CITY OF LAKE BUTLER, FLORIDA

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

A. Explanation of Differences Between the Governmental Funds 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	\$ 840,324	\$ -	\$ -	\$ -	\$ 840,324
Accounts receivable, net	412	-	-	-	412
Due from other funds	35,321	-	-	-	35,321
Prepaid expenses	36,901	-	-	-	36,901
Capital assets, net	-	1,391,727	-	-	1,391,727
Total assets	912,958	1,391,727	-	-	2,304,685
DEFERRED OUTFLOWS					
	-	-	58,135	-	58,135
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	12,232	-	-	-	12,232
Accrued liabilities	24,378	-	-	-	24,378
Due to other funds	157,045	-	-	-	157,045
Accrued compensated absences	-	-	-	11,361	11,361
Net pension liability	-	-	391,399	-	391,399
Total liabilities	193,655	-	391,399	11,361	596,415
DEFERRED INFLOWS					
	-	-	177,363	-	177,363
FUND BALANCE/NET POSITION					
	\$ 719,303	\$ 1,391,727	\$ (510,627)	\$ (11,361)	\$ 1,589,042

B. Explanation of Differences Between Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

The “net change in fund balances” for governmental funds \$(90,321) differs from the “change in net position” for governmental activities \$(396,282) 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 will decrease by the amount of depreciation expense charges for the year.

Capital outlay	\$	17,304
Depreciation expense		(94,750)
Difference	\$	<u>(77,446)</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 change in compensated absences	\$	6,732
Net change in pension liability		(246,463)
Net change in deferred outflows and inflows		11,216
Total	\$	<u>(228,515)</u>

CITY OF LAKE BUTLER, FLORIDA

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

B. Explanation of Differences Between Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance 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	\$ 607,361	\$ -	\$ -	\$ -	\$ 607,361
Licenses and permits	11,695	-	-	-	11,695
Fines	7,151	-	-	-	7,151
Intergovernmental	214,086	-	-	-	214,086
Charges for services	87,084	-	-	-	87,084
Miscellaneous	62,003	-	-	-	62,003
Total revenue	989,380	-	-	-	989,380
EXPENDITURES					
Current expenditures					
General government	376,571	20,787	142,838	(6,732)	533,464
Public safety	95,845	14,372	5,970	-	116,187
Transportation	343,364	15,933	66,194	-	425,491
Economic environment	-	763	-	-	763
Human services	23,506	-	433	-	23,939
Culture/recreation	268,111	42,895	19,812	-	330,818
Capital outlay					
General government	4,388	(4,388)	-	-	-
Transportation	12,916	(12,916)	-	-	-
Total expenditures	1,124,701	77,446	235,247	(6,732)	1,430,662
Excess of revenues over (under) expenditures	(135,321)	(77,446)	(235,247)	6,732	(441,282)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	45,000	-	-	-	45,000
Total other financing sources (uses)	45,000	-	-	-	45,000
Net change in fund balances/net position	(90,321)	(77,446)	(235,247)	6,732	(396,282)
Fund balances/net position at beginning of year	809,624	1,469,173	(275,380)	(18,093)	1,985,324
Fund balances/net position at end of year	\$ 719,303	\$ 1,391,727	\$ (510,627)	\$ (11,361)	\$ 1,589,042

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The book balances of the City deposits totaling \$1,685,702 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, 2022, 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	15,494,546	-	-	15,494,546
Machinery and equipment	300,782	17,304	-	318,086
Total capital assets	18,842,640	17,304	-	18,859,944
Less accumulated depreciation	(17,373,467)	(94,750)	-	(17,468,217)
Governmental activities capital assets, net	<u>\$ 1,469,173</u>	<u>\$ (77,446)</u>	<u>\$ -</u>	<u>\$ 1,391,727</u>
Business-type activities:				
Not being depreciated:				
Land	\$ 541,813	\$ 648,064	\$ -	\$ 1,189,877
Construction in progress	-	118,382	-	118,382
Being depreciated:				
Buildings	135,000	-	-	135,000
Improvements other than buildings	6,822,113	60,630	-	6,882,743
Machinery and equipment	628,383	99,652	(6,931)	721,104
Total capital assets	8,127,309	926,728	(6,931)	9,047,106
Less accumulated depreciation	(5,846,823)	(142,395)	6,931	(5,982,287)
Business-type activities capital assets, net.	<u>\$ 2,280,486</u>	<u>\$ 784,333</u>	<u>\$ -</u>	<u>\$ 3,064,819</u>

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

Governmental activities:	
General Government	\$ 20,787
Public Safety	14,372
Transportation	15,933
Culture/Recreation	42,895
Economic Environment	763
Total depreciation expense - governmental entities	<u>\$ 94,750</u>
Business-type activities:	
Water	\$ 48,528
Sewer	93,867
	<u>\$ 142,395</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2022.

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 35,321	\$ 128,598
CRA	-	28,447
Water	-	6,924
Wastewater	100,391	-
Solild waste	28,257	-
	<u>\$ 163,969</u>	<u>\$ 163,969</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, 2022, consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Operating:		
General	\$ 45,000	\$ -
Enterprise	-	45,000
	<u>\$ 45,000</u>	<u>\$ 45,000</u>

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

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

Receivables at September 30, 2022, were as follows:

	<u>Account</u>	<u>Total Receivables</u>
Governmental activities:	\$ 412	\$ 412
Business-type activities:	129,422	\$ 129,422
	<u>\$ 129,834</u>	<u>\$ 129,834</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$6,735.

Payables

Payables at September 30, 2022, were as follows:

	<u>Vendors</u>
Governmental activities:	\$ 12,232
Business-type activities:	130,632
	<u>\$ 142,864</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, 2022:

	Balance October 1, 2021	Increases	Decreases	Balance September 30, 2022	Due Within One Year
Compensated absences	\$ 18,093	\$ -	\$ 6,732	\$ 11,361	\$ 1,704
Pension liability	144,936	246,463	-	391,399	-
	<u>\$ 163,029</u>	<u>\$ 246,463</u>	<u>\$ 6,732</u>	<u>\$ 402,760</u>	<u>\$ 1,704</u>

Business-type Activities

A summary of proprietary fund debt as of September 30, 2022, follows:

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, 2022, is \$712,000. 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, 2022.

Revenue bond debt service requirements to maturity, including \$355,411 of interest, are as follows:

Fiscal year ending September 30	Interest	Principal	Total
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	25,400	41,000	66,400
2028-2032	97,934	235,000	332,934
2033-2037	113,281	290,000	403,281
	<u>\$ 355,411</u>	<u>\$ 712,000</u>	<u>\$ 1,067,411</u>

In the event of default, the bond holder has the right to take whatever action necessary to collect the amounts due.

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.

This loan was paid in full as of September 30, 2022.

State Revolving Fund Loan (DW630110) - There is also a pre-construction SRF loan also originally approved in 2018 from the Florida Department of Environmental Protection for \$103,400. 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:

Fiscal year ending September 30	Interest	Principal	Total
2023	\$ 654	\$ 5,073	\$ 5,727
2024	574	5,153	5,727
2025	492	5,234	5,726
2026	410	5,317	5,727
2027	326	5,401	5,727
2028-2030	463	16,718	17,181
	<u>\$ 2,919</u>	<u>\$ 42,896</u>	<u>\$ 45,815</u>

State Revolving Fund Loan (DW630111) - 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
2023	\$ 1,684	\$ 5,109	\$ 6,793
2024	1,636	6,165	7,801
2025	1,583	6,217	7,800
2026	1,531	6,270	7,801
2027	1,477	6,324	7,801
2028-2032	6,568	32,436	39,004
2033-2037	5,162	33,840	39,002
2038-2042	3,698	35,307	39,005
2043-2047	2,167	36,836	39,003
2048-2051	588	30,613	31,201
	<u>\$ 26,094</u>	<u>\$ 199,117</u>	<u>\$ 225,211</u>

Clean Water SRF Loan (CW630100) - The City was approved by the Florida Department of Environmental Protection for a loan in the amount of \$1,543,000 for clean water projects. The loan agreement promises \$1,135,400 in loan forgiveness. The remaining loan amount to be repaid totals \$411,300, which includes \$3,700 of capitalized interest. The loan is payable in 40 semi-annual payments of \$11,339 at an interest rate of 0.62% beginning on February 15, 2024 and semiannually thereafter on August 15 and February 15 of each year until all amounts due have been fully paid. Annual debt service requirements are as follows:

Fiscal year ending September 30	Interest	Principal	Total
2024	\$ 2,519	\$ 20,159	\$ 22,678
2025	2,394	20,284	22,678
2026	2,268	20,410	22,678
2027	2,141	20,537	22,678
2028	2,014	20,664	22,678
2029-2033	8,125	105,265	113,390
2034-2038	4,817	108,573	113,390
2039-2043	1,422	95,408	96,830
	<u>\$ 25,700</u>	<u>\$ 411,300</u>	<u>\$ 437,000</u>

The State of Florida Department of Environmental Protection Revolving Fund loans above all contain provisions that in the event of default and subject to the rights of superior liens on the pledged revenues, the lender may request a court to appoint a receiver to management the water and sewer systems, intercept the delinquent amount from any unobligated funds due to the City under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors, sue for payment of amounts due and may accelerate the repayment schedule or increase the interest rate on the unpaid principal on the loan to as much as 1.667 times the loan interest rate.

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2021	Increases	Decreases	Balance September 30, 2022	Due Within One Year
Bonds payable	\$ 746,000	\$ -	\$ 34,000	\$ 712,000	\$ 34,000
SRF loans	252,172	-	10,159	242,013	10,182
Clean Water SRF	166,400	244,900	-	411,300	-
Vehicle loan payable	19,356	-	19,356	-	-
Compensated absences	47,872	-	10,482	37,390	5,609
Net pension liability	121,295	206,261	-	327,556	-
	<u>\$ 1,353,095</u>	<u>\$ 451,161</u>	<u>\$ 73,997</u>	<u>\$ 1,730,259</u>	<u>\$ 49,791</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, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022, respectively, were as follows:

Class	October 1, 2021 - June 30, 2022	July 1 2022 - September 30, 2022
Regular Class	10.82%	11.91%
Special Risk Class	25.89%	27.83%
Special Risk Class Administrative Support	37.76%	38.65%
County Elected Officers	51.42%	57.00%
Senior Management Class	29.01%	31.57%
Deferred Retirement Option Program (DROP)	18.34%	18.60%

The City’s contributions, including employee contributions, to the Pension Plan totaled \$112,580 for the fiscal year ended September 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2022, the City reported a liability of \$538,666 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of July 1, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City’s proportionate share of the net pension liability was based on the City’s 2021-22 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members. At June 30, 2022, the City’s proportionate share was .001447715 percent, which was an increase of 13.89 percent from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$20,106. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,584	\$ -
Changes in assumptions	66,339	-
Net difference between projected and actual earnings on Pension Plan investments	35,568	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	60,659	22,111
City Pension Plan contributions subsequent to the measurement date	19,256	-
Total	\$ 207,406	\$ 22,111

The deferred outflows of resources related to the Pension Plan, totaling \$19,256 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2023	\$ 40,153
2024	15,152
2025	(13,560)
2026	117,985
2027	6,309
Thereafter	-
	\$ 166,039

Actuarial Assumptions – The total pension liability in the June 30, 2022 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	6.70%, net of pension plan investment expense, including inflation
Discount note	6.70%

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, 2022, 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%	2.60%	2.60%	1.10%
Fixed income	19.80%	4.40%	4.40%	3.20%
Global equity	54.00%	8.80%	7.30%	17.80%
Real estate	10.30%	7.40%	6.30%	15.70%
Private equity	11.10%	12.00%	8.90%	26.30%
Strategic investments	3.80%	6.20%	5.90%	7.80%
	<u>100.0%</u>			
Assumed Inflation - Mean			2.40%	1.30%

*As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.70%. 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 6.70%, 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 (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
Board's proportionate share of the net pension liability	\$ 931,586	\$ 538,666	\$ 210,138

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, 2022, the City reported no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2022.

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, 2022, 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, 2022, the HIS contribution for the period October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022 was 1.66% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$23,176 for the fiscal year ended September 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2022, the City reported a liability of \$180,289 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City's proportionate share of the net pension liability was based on the City's 2021-22 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members. At June 30, 2022, the City's proportionate share was .001702193 percent, which was an increase of 22.67 percent from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$36. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,472	\$ 793
Changes in assumptions	10,334	27,891
Net difference between projected and actual earnings on HIS Plan investments	261	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	30,235	12,750
City HIS Plan contributions subsequent to the measurement date	2,807	-
Total	\$ 49,109	\$ 41,434

The deferred outflows of resources related to the HIS Plan, totaling \$2,807 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2023	\$ 1,161
2024	626
2025	306
2026	634
2027	1,471
Thereafter	670
	\$ 4,868

Actuarial Assumptions – The total pension liability in the July 1, 2022, 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	3.54%

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

The actuarial assumptions used in the July 1, 2022, 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 3.54%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to

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

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.54%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Board's proportionate share of the net pension liability	\$ 206,265	\$ 180,288	\$ 158,794

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, 2022, the City reported no payable outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2022.

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 2021-22 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 9.30%, Special Risk Administrative Support class 10.95%, Special Risk class 17.00%, Senior Management Service class 10.67% and City Elected Officers class 14.34%.

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, 2022, 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, 2022.

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.

NOTE 16. DEFICIT FUND BALANCE

The Downtown Redevelopment Fund had a deficit fund balance of \$(23,548) at year end. The deficit will be funded by tax revenues received during the ensuing year.

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, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive Negative
	Original	Final		
REVENUES				
Taxes				
Ad valorem taxes	\$ 79,000	\$ 93,000	\$ 92,419	\$ (581)
Sales and use taxes				
Local option gas tax/alternative fuel	40,000	40,000	42,668	2,668
Discretionary sales tax	112,000	142,000	176,242	34,242
Franchise fees				
Electricity	135,000	135,000	147,656	12,656
Utility service taxes				
Electricity	36,000	36,000	37,557	1,557
Gas	3,000	3,000	2,721	(279)
Communications services tax	62,000	62,000	72,796	10,796
Total taxes	<u>467,000</u>	<u>511,000</u>	<u>572,059</u>	<u>61,059</u>
Licenses and permits				
City occupational licenses	8,000	8,000	9,295	1,295
Other licenses and permits	1,000	60,000	2,400	(57,600)
Total licenses and permits	<u>9,000</u>	<u>68,000</u>	<u>11,695</u>	<u>(56,305)</u>
Fines	<u>10,000</u>	<u>10,000</u>	<u>7,151</u>	<u>(2,849)</u>
Intergovernmental				
Federal payments in lieu of taxes				
Union County Housing Authority	10,000	10,000	15,901	5,901
State shared revenues				
General government				
State revenue sharing	75,000	75,000	96,820	21,820
Municipal gas tax	20,000	20,000	29,372	9,372
Mobile home licenses	1,000	1,000	1,015	15
Alcoholic beverage licenses	1,500	1,500	1,070	(430)
Local government half-cent sales tax	50,000	58,000	69,908	11,908
Total intergovernmental	<u>157,500</u>	<u>165,500</u>	<u>214,086</u>	<u>48,586</u>
Charges for services				
Physical environment	4,500	4,500	2,550	(1,950)
Planning and zoning fees	1,000	1,200	-	(1,200)
Transportation				
Street maintenance	81,000	84,000	84,534	534
Total charges for services	<u>86,500</u>	<u>89,700</u>	<u>87,084</u>	<u>(2,616)</u>
Miscellaneous				
Interest	500	500	295	(205)
Rents and royalties				
Community center	16,000	35,000	21,038	(13,962)
Other rentals	23,000	25,000	18,986	(6,014)
Special events	3,000	9,000	7,195	(1,805)
Other	500	500	4,685	4,185
Total miscellaneous	<u>43,000</u>	<u>70,000</u>	<u>52,199</u>	<u>(17,801)</u>
Total revenues	<u>773,000</u>	<u>914,200</u>	<u>944,274</u>	<u>30,074</u>

**CITY OF LAKE BUTLER, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Legislative				
Personnel services	\$ 70,900	\$ 70,900	\$ 73,310	\$ (2,410)
Operating expenses	8,200	8,200	11,504	(3,304)
Total legislative	<u>79,100</u>	<u>79,100</u>	<u>84,814</u>	<u>(5,714)</u>
Executive				
Personnel services	52,950	52,950	63,479	(10,529)
Operating expenses	31,700	31,700	22,397	9,303
Total executive	<u>84,650</u>	<u>84,650</u>	<u>85,876</u>	<u>(1,226)</u>
Financial and administrative				
Personnel services	19,500	19,500	24,362	(4,862)
Operating expenses	82,900	82,900	114,570	(31,670)
Capital outlay	-	-	4,388	(4,388)
Total financial and administrative	<u>102,400</u>	<u>102,400</u>	<u>143,320</u>	<u>(40,920)</u>
Legal counsel				
Operating expenses	15,000	15,000	14,401	599
	<u>15,000</u>	<u>15,000</u>	<u>14,401</u>	<u>599</u>
Other general government				
Personnel services	17,700	17,700	17,347	353
Operating expenses	16,100	16,100	10,895	5,205
Total other general government	<u>33,800</u>	<u>33,800</u>	<u>28,242</u>	<u>5,558</u>
Total general government	<u>314,950</u>	<u>314,950</u>	<u>356,653</u>	<u>(41,703)</u>
Public safety				
Law enforcement				
Operating expenses	75,000	75,000	75,000	-
Total law enforcement	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Fire control				
Operating expenses	2,500	2,500	2,819	(319)
Total fire control	<u>2,500</u>	<u>2,500</u>	<u>2,819</u>	<u>(319)</u>
Other public safety				
Personnel services	20,000	20,000	17,960	2,040
Operating expenses	400	400	66	334
Total other public safety	<u>20,400</u>	<u>20,400</u>	<u>18,026</u>	<u>2,374</u>
Total public safety	<u>97,900</u>	<u>97,900</u>	<u>95,845</u>	<u>2,054</u>
Physical environment				
Operating expense	4,000	4,000	8,120	(4,120)
Total physical environment	<u>4,000</u>	<u>4,000</u>	<u>8,120</u>	<u>(4,120)</u>
Transportation				
Roads and streets				
Personnel services	138,000	138,000	170,499	(32,499)
Operating expenses	133,600	133,600	172,865	(39,265)
Capital outlay	10,000	10,000	12,916	(2,916)
Total transportation	<u>281,600</u>	<u>281,600</u>	<u>356,280</u>	<u>(74,679)</u>

**CITY OF LAKE BUTLER, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Human services				
Animal control				
Personnel services	\$ 3,700	\$ 3,700	\$ 3,931	\$ (231)
Operating expenses	3,300	3,300	1,114	2,186
Mosquito control				
Operating expenses	4,100	4,100	10,341	(6,241)
Total human services	<u>11,100</u>	<u>11,100</u>	<u>15,386</u>	<u>(4,286)</u>
Culture/recreation				
Parks and recreation				
Personnel services	43,600	43,600	59,871	(16,271)
Operating expenses	109,600	109,600	173,410	(63,810)
Total culture and recreation	<u>153,200</u>	<u>153,200</u>	<u>233,281</u>	<u>(80,081)</u>
Total expenditures	<u>862,750</u>	<u>862,750</u>	<u>1,065,565</u>	<u>(202,815)</u>
Excess of revenues over (under) expenditures	(89,750)	51,450	(121,291)	(172,741)
OTHER FINANCING SOURCES				
Interfund transfers in	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Net change in fund balance	(44,750)	96,450	(76,291)	(172,741)
Fund balance at beginning of year	<u>542,511</u>	<u>542,511</u>	<u>542,511</u>	<u>-</u>
Fund balance at end of year	<u>\$ 497,761</u>	<u>\$ 638,961</u>	<u>\$ 466,220</u>	<u>\$ (172,741)</u>

**CITY OF LAKE BUTLER, FLORIDA
DOWNTOWN REDEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Advalorem taxes	\$ 55,000	\$ 55,000	\$ 35,302	\$ (19,698)
CRA donations	-	10,000	9,500	(500)
Miscellaneous				
Interest	100	100	17	(83)
Total revenues	<u>55,100</u>	<u>65,100</u>	<u>44,819</u>	<u>(20,281)</u>
EXPENDITURES				
Economic environment				
Operating expenses	<u>30,000</u>	<u>30,000</u>	<u>34,830</u>	<u>(4,830)</u>
	<u>30,000</u>	<u>30,000</u>	<u>34,830</u>	<u>(4,830)</u>
Excess of revenues over (under) expenditures	<u>25,100</u>	<u>35,100</u>	<u>9,989</u>	<u>(25,111)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	<u>32,000</u>	<u>32,000</u>	-	(32,000)
Total other financing sources (uses)	<u>32,000</u>	<u>32,000</u>	-	(32,000)
Net change in fund balances	57,100	67,100	9,989	(57,111)
Fund balance at beginning of year	<u>(33,537)</u>	<u>(33,537)</u>	<u>(33,537)</u>	-
Fund balance at end of year	<u>\$ 23,563</u>	<u>\$ 33,563</u>	<u>\$ (23,548)</u>	<u>\$ (57,111)</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, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous				
Interest	\$ 400	\$ 400	\$ 287	\$ 113
Total revenues	<u>400</u>	<u>400</u>	<u>287</u>	<u>113</u>
EXPENDITURES				
Economic environment				
Operating expenses	25,000	25,000	24,306	694
Sidewalk project	25,000	25,000	-	25,000
	<u>50,000</u>	<u>50,000</u>	<u>24,306</u>	<u>25,694</u>
Net change in fund balance	<u>(49,600)</u>	<u>(49,600)</u>	<u>(24,019)</u>	<u>25,581</u>
Fund balance at beginning of year	<u>300,650</u>	<u>300,650</u>	<u>300,650</u>	<u>-</u>
Fund balance at end of year	<u>\$ 251,050</u>	<u>\$ 251,050</u>	<u>\$ 276,631</u>	<u>\$ 25,581</u>

CITY OF LAKE BUTLER, FLORIDA
NOTES TO STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2022

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). 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.

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

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the FRS net pension liability (asset)	0.001447715%	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)	\$ 538,666	\$ 96,025	\$ 577,970	\$ 456,225	\$ 414,140	\$ 409,345	\$ 277,130	\$ 149,703
City's proportion of the HIS net pension liability (asset)	0.001702193%	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)	\$ 180,289	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>\$ 718,955</u>	<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	849,076	\$ 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	84.67%	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	79.09%	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.

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

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 69,247	\$ 53,903	\$ 42,266	\$ 43,917	\$ 43,115	\$ 42,849	\$ 30,953	\$ 32,994
Contractually required HIS contribution	23,176	9,078	8,954	\$ 9,174	9,314	17,774	9,604	7,243
Total Contractually Required Contributions	92,423	62,981	51,220	\$ 53,091	52,429	60,623	40,557	40,237
Contributions in relation to the contractually required contribution	(92,423)	(62,981)	(51,220)	\$ (53,091)	(52,429)	(60,623)	(40,557)	(40,237)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Administration's covered-employee payroll	\$ 849,076	\$ 601,957	\$ 653,071	\$ 600,702	\$ 652,960	\$ 585,070	\$ 579,340	\$ 555,381
Contributions as a percentage of covered-employee payroll	10.89%	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.

**CITY OF LAKE BUTLER, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND SCHEDULE OF CONTRIBUTIONS
For the Fiscal Year End September 30, 2022**

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, 2022, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 217,434,441,000	\$ 11,126,965,688
Plan fiduciary net position	(180,226,404,807)	(535,368,479)
	\$ 37,208,036,193	\$ 10,591,597,209
 Plan fiduciary net position as a percentage of the total pension liability	 82.89%	 4.81%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2022. 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, 2022. 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, 2022, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2022, 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 6.70%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.54% 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 2022:

- FRS: The long-term expected rate of return was decreased from 6.80% to 6.70%.
- HIS: The demographic assumptions for the Special Risk class were updated to reflect plan changes due to HB5007, HB689, and SB838.
- HIS: The election assumption for vested terminated members was updated from 20% to 50% to reflect recent experience.
- HIS: The municipal bonds rate used to determine total pension liability was increased from 2.16 to 3.54%.

SINGLE AUDIT SECTION

CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2022

<u>Grantor/Program Title</u>	<u>FAIN/ CFSA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Expenditures</u>
FEDERAL AWARDS					
U.S. Department of Housing & Urban Development					
Passed through Florida Department of Economic Opportunity					
Florida Small Cities Community Development Block Grant					
	14.228	CDBG#22DB-OP-03-73-02-N06	\$ 700,000	\$ -	\$ 5,000
U.S. Department of the Treasury					
American Rescue Plan Act (ARPA)					
	21.027	Y5157	903,540	451,770	903,540
TOTAL FEDERAL AWARDS			<u>\$ 1,603,540</u>	<u>\$ 451,770</u>	<u>\$ 908,540</u>
STATE FINANCIAL AWARDS					
Florida Department of Environmental Protection					
Suwannee River Water Management District					
Alternative Water Supply					
	37.100	WS005	\$ 3,400,000	\$ 742,220	\$ 615,995
Florida Department of Environmental Protection					
Suwannee River Water Management District					
Wastewater Treatment Facility Construction					
	37.077	WW630100	1,543,000	329,867	525,930
TOTAL STATE FINANCIAL ASSISTANCE			<u>4,943,000</u>	<u>1,072,087</u>	<u>1,141,925</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			<u>\$ 6,546,540</u>	<u>\$ 1,523,857</u>	<u>\$ 2,050,465</u>

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

CITY OF LAKE BUTLER
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting

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

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

C. Subrecipients

The Schedule of Expenditures of Federal Awards and State Financial Assistance is required to identify amounts passed through to subrecipients of grant funding. The City did not have any subrecipients of grant funding in the current year.

D. Indirect Cost Rate

The City did not elect to use the de minimis indirect cost rate for the fiscal year ended September 30, 2022.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL, OFFICE OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major State Project

We have audited the compliance of the City of Lake Butler, Florida (the “City”) with the types of compliance requirements described in the State of Florida, Department of Financial Services State Projects Compliance Supplement, that could have a direct and material effect on its major State project for the year ended September 30, 2022. The City’s major State project is identified in the summary of auditors’ results section of the accompanying Schedule of Findings.

Management’s Responsibility

The City’s management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major State project.

Auditors’ Responsibility

Our responsibility is to express an opinion on the City’s compliance for each major State Project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General. Those standards and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major State Project. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State projects for the fiscal year ended September 30, 2022

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with Chapter 10.550, Rules of the State of Florida, Office of the Auditor General.

Internal Control Over Compliance

Management of City is responsible for establishing and maintaining effective internal control over the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City's internal control over compliance with the types of requirements that could have a direct and material effect on a major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State Project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the State of Florida, Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Pursuant to Chapter 119, *Florida Statutes*, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of City's management, State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Powell and Jones CPA
Lake City, Florida
May 29, 2023

**CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2022**

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified No

Significant deficiencies identified that are not considered to be material weaknesses None reported

Noncompliance material to financial statements noted No

State Financial Assistance

Internal control over major programs:

Material weakness identified No

Significant deficiencies identified that are not considered to be material weaknesses None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Rule 10.656, *Rules of the Auditor General*? No

Identification of major programs:

<u>CSFA/Number</u>	<u>Name of Program or Cluster</u>
37.100	Florida Department of Environmental Protection

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Findings and Questioned Costs None

Other Issues None

Summary Schedule of Prior Audit Findings: There were no audit findings in the prior year related to Federal or State Projects.

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, 2022, 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 May 29, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we identified several deficiencies in internal control that we consider to be material weaknesses. We identified the deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-1 through 2022-9, that we consider to be significant deficiencies. The Schedule of findings and questioned costs covers the period October 1, 2021 - December 31, 2022 and includes other findings.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-1, 2022-5 and 2022-9.

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 and Jones CPA
Lake City, Florida
May 29, 2023

**CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

These included findings were for the period October 1, 2021 through December 31, 2022.

2022-1

Credit Card Abuse

During the period under audit six employees utilized credit cards issued to them in the City's name. From our audit of these credit card statements, we found generally that there was no indication of management oversight or review of credit card statements prior to being paid.

We performed an extensive review of transactions on these credit card statements and attached documentation. We found numerous instances where credit card charges were not made in the interest of the City and represented apparent employee abuse and contained apparent personal expenditures which would constitute fraud on the part of the employees. Our detailed findings are listed in the attached Schedule A through Schedule E. A summary of these findings by individual employee are as follows:

Amanda Brown (Attachment A)

1. Instances where sales tax was paid on purchases (number of instances: 26, total sales tax paid: \$589.71)
2. Apparent personal expenditures (number of instances: 33, total amount paid: \$5,029.36).
3. Unallowable travel related expenditures (number of instances: 5, total amount paid: \$233.37).
4. Purchase of alcohol charged to City (total amount paid: \$539.50).

Total questioned costs that might constitute unallowable (illegal) expenditures (\$5,802.23).

Mike Cotter (Attachment B)

1. Purchase of alcohol charged to City (total amount paid: \$791.36).
2. Instances where sales tax was paid on purchases (number of instances: 3, total sales tax paid: \$66.50).

Total questioned costs that might constitute unallowable (illegal) expenditures (\$791.36).

Cody Douglas (Attachment C)

1. Apparent personal expenditures (number of instances: 41, total amount paid: \$13,522.13).
2. Purchase of alcohol charged to City (total amount paid: \$61.98).
3. Instances where sales tax was paid on purchases (number of instances: 37, total sales tax paid: \$918.79).

Total questioned costs that might constitute unallowable (illegal) expenditures (\$13,584.11).

Willie Henderson (Attachment D)

1. Instances where sales tax was paid on purchases (number of instances: 4, total sales tax paid: \$50.03)
2. Apparent personal expenditures (number of instances: 3, total amount paid: \$82.51).
3. Unallowable travel related expenditures (number of instances: 4, total amount paid: \$228.90).

Total questioned costs that might constitute unallowable (illegal) expenditures (\$311.41).

Dale Walker (Attachment E)

1. Instances where sales tax was paid on purchases (number of instances: 16, total sales tax paid: \$310.67).
2. Apparent personal expenditures (number of instances: 24, total amount paid: \$1,962).
3. Unallowable travel related expenditures (number of instances: 1, total amount paid: \$146.21).

Total questioned costs that might constitute unallowable (Illegal) expenditures (\$2,108.21).

We recommend the following corrective actions:

2. Updated purchasing policy that includes the appropriate use of credit cards, management approval of credit card purchases.
3. All credit cards be rescinded from non-managerial employees.
4. Active credit cards should be kept in a secure location and only used for legitimate City purposes when payment by City check is impractical.
4. The noted questioned costs should be presented to and verified with the effective employees and if illegal, the City should seek repayment of same.

**2022-2
Fuel Purchasing System**

The City purchases fuel for vehicles from a vendor which utilizes an automated fuel accountability system that tracks individual vehicle purchases and provides the City with monthly, detailed reports of fuel purchasing activity. From our review of selected reports, we found that the City's employees did not utilize these reports for accountability of fuel purchases.

For the fiscal year reviewed both the City Manager and the Public Works Director had assigned City vehicles which were used by them for both City-related and personal use. During the fiscal year, the City Manager used 948 gallons of gas which totaled \$3,560, at an average of 20 miles per gallon, this would compute to approximately 19,000 miles or 1,600 miles per month. Likewise the Public

Works Director utilized 848 gallons of fuel for a total of \$3,160 which would equate to approximately 17,000 miles or 1,400 miles per month.

Due to the fact that these individuals did not maintain records that differentiated their City related and personal miles, the personal portion of their fuel expense was not reimbursed to the City or included in their taxable employee compensation. These transactions were in noncompliance with 26 CFR § 1.61-21 regarding taxation of fringe benefits and were not the best public interest.

We recommend the following regarding the City fuel purchasing system:

1. A fuel purchasing policy should be implemented that requires a prohibition of personal fuel use, proper logging of all fuel purchases, and full reconciliation and review of the monthly fuel invoice reports prior to payment. All inconsistencies should be fully investigated and corrected if necessary.
2. Either the full amount of fuel purchases or a computed reasonable amount should be either recovered from the former City Manager and Public Works Director or added to their taxable compensation for the year. Due to the fact that this was likely the same in prior years, the City should consider the feasibility of similar actions for at least the two prior years.

2022-3

Questioned Costs

From our audit of City expenses, we noted that the City directly paid certain potentially personal expenses for its employees. These may be in noncompliance with 26 CFR § 1.61-21 regarding taxation of fringe benefits and not in the best interest of the public. These expenses are as follows:

1. Personal social media account, vehicle GPS service, and membership fees for Turkey Creek Lions Club for City Manager and Rotary dues for City Manager and Finance Director.
2. Payments for physician appointments.
3. Cell phones, cell phone accessories, tablets and watches, and clothing items which appeared to be personal in nature.
4. Payments for non-employee's dinners (non-employee names listed on receipts and order forms).
5. Shoe allowance consisting of \$100 per employee. Employees were not required to show proof of purchase. In addition, this was not a City approved policy, and this benefit was not included in employee compensation.
6. Without evidence of a budget amendment or bid process, a company was awarded a contract in the amount of \$12,800 to clean public areas located by the local lake. This action was not approved by the City Commission.
7. Likewise, without City Commission approval or a budget amendment, or documentation of public necessity, a privacy fence was erected at the City-owned cemetery at a cost of approximately \$7,000, even though the cemetery already had a chain link fence around it.
8. The policy on City provided cell phones requires \$15.00 per pay period to be deducted from employee paychecks. We found that the cell phone deduction was not being made for the City Manager.

9. Travel Policies were not followed. We found multiple instances where per diem rates exceeded the maximum rates allowed by *Florida Statutes § 112.061* or General Services Administration.

10. The tablet and cellphone of the former Finance Director were unaccounted for at year end and the service to those plans had not been disconnected even though the Finance Director was no longer an employee of the City.

11. A wireless internet hotspot device was purchased for the City Manager allowing him to have wireless internet at home and while traveling. This was not approved by the Commission and there was no documentation of how this expense was in the public's best interest.

2022-4

Property Exchange

From our audit of fixed assets, we noted that the City participated in an exchange of property or Land Swap wherein the City traded its Public Works building for a commercial property on Main Street. At the time of the transaction, the City's property was valued at approximately \$135,544 by the County Property Appraiser and the commercial property acquired was valued at \$57,190, a difference of \$78,354. Upon inquiry, we found that no documentation was available to verify the relative values of the properties being exchanged and the resulting benefit to the City at the time of the transaction. The public purpose of this transaction was not adequately documented and it was not in compliance with City purchasing policies.

2022-5

Internal Revenue Service Noncompliance

During the period of our audit, the City paid the monthly rent of the City Manager which totaled \$800 monthly for a total of \$9,600. The City also furnished a Chevrolet Suburban vehicle to the City Manager for his unlimited usage. Even though approved by the City Commission, these benefits including lease value of the vehicle, fuel and insurance costs constitute taxable fringe benefits to the City Manager under applicable IRS regulations. We found that the City Manager's taxable compensation reported to the Internal Revenue Service did not include these taxable benefits on either his Form W-2 or a separate Form 1099.

We also found that the Public Works Director was also furnished a Chevrolet Silverado for his combined City and personal use. The personal use component of this vehicle, including lease value, fuel, insurance and operating costs, was also not included on either his Form W-2 or a separate Form 1099.

We recommend that the City take appropriate corrective measures to fully report these taxable compensation items to the Internal Revenue Service. This would consist of issuing a corrected Form W-2 C to each of these employees for the covered years. We also recommend that a vehicle usage policy be implemented that requires employees with assigned vehicles to leave them parked on City property when not in use and that all personal usage of fuel be reimbursed by the employee to the City.

2022-6

Employee Leave Records

From our test of payroll transactions, we were unable to locate where records of employee leave earned and used were correctly maintained for City employees. These records are necessary to document that employee leave is correctly managed and accounted for. We recommend that such leave records be maintained for all City employees.

During our audit we found that the public works director took approximately one month of vacation time during the year that was not deducted from his leave records.

We also found during our audit that the City Manager on July 8, 2022 received payment for 600 hours of accumulated sick leave at full value amounting to \$27,761.85. This action was based upon a proposed policy that was apparently approved by the then Mayor but was never approved by the City Commission as required. This payment was not specifically provided for in City Manager's contract and did not comply with the executed personnel policy, substantially exceeding any allowed payout amounts.

2022-7

Bidding Process

We noted from our test of selected expenditures that there was generally a lack of internal controls and documentation to support the City's bidding procedures for purchases. This lack of internal controls and documentation likely allowed bids to be awarded to related parties without disclosure to the City Commission. This also created an environment where large purchases could have been made that were not in the public's best interest and where illegal activity such as kickbacks and self-serving related party deals could have occurred without detection.

2022-8

Audit Solicitation

During the year the City solicited audit proposals from selected accounting firms that did not include Powell and Jones CPA, the City's long time auditor. This resulted in the City retaining a firm at a fee in excess of twice the present fee. The City Commission was advised that the retained firm was the only respondent to the solicitation. From our review of this process, we found that the City did not utilize an auditor selection committee as required by Section 218.39, *Florida Statutes*. Further, no employee of the City should serve on the auditor selection committee. The auditor selection committee is also required by this provision of law to make a public announcement of the RFP for audit services, which did not appear to have been done by the City. The lack of compliance with these provisions of law created a situation where Powell and Jones CPA was excluded from the auditor selection process and the City committed to paying at least \$23,000 more annually for its audit.

2022-9**Budget Administration**

The General Fund budget was over expended by \$(172,509) and the Downtown Redevelopment Fund was over expended by \$(57,111) for a total of (\$229,620). We recommend that the City's annual budget be closely monitored during the year and any required amendments be enacted in a timely manner as required by law.

During our audit we found that there were multiple instances where salary increases, mostly in relation to newly created and potentially unnecessary management positions, were given to employees without appropriate budgetary amendments to cover these costs. We recommend City Commission carefully review salaries in comparison to their budget and adjust accordingly.

2022-10**ARPA grant**

The City received a federal grant for \$903,540 under the American Rescue Plan Act (ARPA). We found that the Commission gave no approval to spend these dollars and that the Commission had informally allocated the funds to be spent on lift station replacements. A consultant was used to manage this grant and all funds were reported to the federal government as spent on allowable operating expenses. These funds were not properly segregated from operating funds and appear to have funded operating deficits as well as the purchase/renovation of a new building. These funds were not spent in compliance with City Commission assignment and state budgetary requirements.

2022-11**1099's to employee's**

The City paid several W-2 employee's as 1099 subcontractors for Mosquito Control and after hours janitorial services. Workers generally should not receive both tax forms and should be treated either as subcontractors or employees, and not both, except under very unique circumstances. We recommend the City examine the nature of its relationships with its workers and document this determination carefully with its contracts. Work completed by employees should have appropriate taxes, retirement, and other deductions withheld from their pay which does not occur with subcontractor payments.

2022-1 Attachment A

Date Ordered	Vendor	Description	Amount	Sales Tax Paid	Sales Tax	Notes
9/1/2022	Amazon	English breakfast black tea 96 count	51.62	No	-	
9/2/2022	Amazon	48 colored markers, mouse pad	37.97	Yes	2.49	
9/8/2022	Amazon	Maxwell K-cup coffee 32 count	26.35	No	-	
9/8/2022	Amazon	English breakfast tea 56 count	33.23	No	-	
9/13/2022	Invoice Simple	Unclear	59.99			No description
9/14/2022	Amazon	Coffee, teas 80, 24 and 66 count	126.96	No	-	
9/14/2022	Amazon	Chocolate candy assortment	62.05		4.06	Coded under City Hall supplies
9/14/2022	Amazon	Maxwell k-cup 84 count	28.96		-	
9/19/2022	Norton Telecom	Quarterly monitoring services	90.00			Auditor called and verified
9/22/2022	Unclear	Unclear		Unclear		Hayden Page used card for purchase
9/28/2022	Adobe	Yearly subscription	155.88	No	-	Amanda is paying for Hayden's subscription
10/5/2022	Adobe	Acrobat Pro	239.88	No	-	Bought for Hayden
9/26/2022	Amazon	Breakfast tea K-cup 56 count	33.23	No	-	
10/9/2022	P.F. Chang's	1 Spicy chicken, 1 beef w/ broccoli, 1 Great All of Chocolate	80.30	Yes	4.27	PF Chang's in Lake Mary, ordered on a Sunday for delivery on Sunday
10/11/2022	The Halal Guys	Chicken and beef gyro platter, sodas, sides,	59.72		2.90	Delivered, note says for Will Thornton
10/4/2022	Amazon	Maxwell K-cup 84 count	28.96	No	-	
10/11/2022	Terra Mia	Pizza ordered in Lake Mary	60.00	Unclear	Unclear	Not properly documented, pizza ordered, \$6.78 tip
10/12/2022	Adobe	Adobe subscription	19.99	Unclear	Unclear	Adobe subscription for John Sapp
10/9/2022	Marriott	Orlando Marriott Lake Mary	844.14	Yes		"FACC Summer Conference" note
10/14/2022	Circle K	Gas	30.31	No	-	
10/21/2022	AAA Event Services, LLC	Portable toilet, handwash unit, fuel fee, weekend service	1,335.00	No	-	Boat race
10/8/2022	AAA Event Services, LLC	Portable toilet	320.00	No	-	For PW building
10/19/2022	Amazon	Ignite the Power of Women in Your Life	26.75		1.75	Book purchase
10/20/2022	Dollar General	Candy, green tea, water, sugar	60.73	Yes	3.78	Appears to be candy and personal drinks
10/19/2022	Amazon	Carpet cleaners, healthy snacks	195.47	Yes	7.59	Mixed snack box and snack gifts variety pack
10/26/2022	Amazon	Plastic tablecloth, cups, spoons,	65.52	Yes	4.29	Chili cookoff
10/26/2022	Amazon	Plastic soup bowls, tablecloths	23.52	Yes	1.54	No detail written
11/1/2022	SETEL	Monthly internet service	289.60	No	-	Internet service
11/6/2022	Amazon	Business Prime membership fee	179.00	No	-	Up to 3 users
11/2/2022	Amazon	Maxwell k-cup 84 count	30.48	No	-	Coffee
12/12/2022	Adobe	Acrobat Pro	19.99	No	-	Acrobat Pro
11/26/2022	Amazon	Breakfast tea K-cup 56 count	33.23	No	-	Tea
10/26/2022	Amazon	Maxwell k-cup 84 count	28.96	No	-	Coffee
10/27/2022	Amazon	Maxwell k-cup 84 count	28.96	No	-	Coffee
11/10/2022	Amazon	Christmas string lights	495.73	No	-	For Christmas float
11/23/2022	Olive Garden	Take out from Olive Garden	98.34	Unclear	Unclear	"Staff Thanksgiving" for 5 note
11/23/2022	Amazon	Christmas candy holiday mix	43.49	No	-	Christmas parade
11/23/2022	Amazon	Christmas party game stickers, toys or kids, coloring books	173.94	No	-	Christmas parade
11/23/2022	Amazon	Disposable wine glasses, decorations, tumblers party glasses	1,029.31	No	-	NEFLC Christmas dinner
12/3/2022	Walmart	Peppermint, candy, Hershey	45.98	Yes	2.98	Walmart in Macclenny, FI
11/30/2022	Amazon	Portable projector screen 120 inch	84.99	No	-	NEFLC Dinner
12/3/2022	AAA Event Services, LLC	Portable toilet	320.00	No	-	For construction site use
12/6/2022	Amazon	Document frame	23.99	No	-	Budget frames
12/26/2022	Amazon	Breakfast tea K-cup 56 count	33.23	No	-	Tea
12/22/2022	Cracker Barrel	Christmas luncheon	473.90	Yes	27.19	Christmas luncheon, tip of \$58.27
12/2/2022	Amazon	Maxwell k-cup 84 count	28.96	No	-	Coffee
12/2/2022	Amazon	Maxwell k-cup 84 count	28.96	No	-	Coffee
12/12/2022	Amazon	Otterbox phone case for Iphone	53.15	No	-	Phone case for Thomas
12/14/2022	Dollar General	Energizer Max AA	41.73	Yes	2.73	Batteries

2022-1 Attachment A (continued)

Date Ordered	Vendor	Description	Amount	Sales Tax Paid	Sales Tax	Notes
12/14/2022	ABC Liquor Store	Johnnie Walker Scotch, Tequila, Vodka, Rum, Beers, Liqueurs	455.00	Yes	29.77	Various liquor bottles and beers
12/15/2022	Union Liquor Store	Not detailed	84.50	Unclear	Unclear	Liquor purchased
12/16/2022	Florida Animal Control Association	Thomas Stitt Animal Control Association	160.00	Unclear	Unclear	Associate member fees
12/16/2022	Valencia College	Animal Control Officer Certification	485.00	No	-	4 hour class/credit for March 2023
12/6/2022	Amazon	Picture frame	25.99	No	-	Christmas display contest award frame
9/16/2021	Amazon	Tablet car mount holder	33.98	No	-	Per Cal, PW Vehicle supplies
9/13/2021	Amazon	Happy Belly Tea, English Tea	253.73	No	253.73	Tea
9/1/2021	Amazon	Various self-help books	103.18	No	-	Books
9/1/2021	Amazon	Dare to Lead book	8.99	No	-	Books
10/4/2021	Amazon	Easy One Touch 5 Dashboard Car Mount	147.36	No	-	For Cal Stewart
10/7/2021	Amazon	M&Ms, Snickers, Twix	23.98	No	-	City Hall candy
9/29/2021	NFPCI	Spiral bound books 2021-2022	898.80	Yes	58.80	Budget books and artwork
10/13/2021	Amazon	Android charger, colorful letter openers, Febreze	48.89	No	-	
11/10/2021	Amazon	Start with Why - book	64.76	No	-	
11/5/2021	Amazon	Happy Belly Tea, English Tea	110.91	No	-	Tea
11/16/2021	Simpliv LLC	3-hour live virtual training on Microsoft Excel	199.00	Unclear	Unclear	Beginner to Advanced training
11/30/2021	Walmart	Mason jars, candles, debit load, tissue, gift bags	339.14	Yes	17.29	FLOC party
12/10/2021	Amazon	York peppermint patties, fidget toys	277.42	No	-	Appears to be for Christmas related events
12/14/2021	IIMC	IIMC membership	175.00	Unclear	Unclear	IIMC membership
1/24/2022	Amazon	Chocolate candy assortment, English tea	133.70	No	-	Candy and tea
1/14/2022	Spire's Grocery Store	Food/groceries	7.98	No	-	Food/groceries
1/6/2022	Florida Association of City Clerks	FACC Membership Dues	75.00	No	-	FACC Membership Dues
1/29/2021	Amazon	The Culture Code: The Secrets of Highly Successful Groups	110.58	No	-	Books
2/15/2022	Amazon	Writing to Change the World	84.25	No	-	Books
2/10/2022	Amazon	Chocolate candy variety pack	73.90	No	-	Candy
2/11/2022	Amazon	Otterbox phone case for Iphone	47.96	No	-	Iphone case for Willie Henderson
3/4/2022	Amazon	Bulk Easter candy	54.95	No	-	Bulk Easter candy
3/4/2022	Amazon	Bulk chocolate candy, English breakfast teas	64.57	No	-	Candy and tea
3/15/2022	Florida Association of City Clerks	FACC webinar: best practices for charter review	75.00	No	-	Registration payment
3/18/2022	CivicInfor	Eli Mina consulting	288.75	No	-	Book order
3/18/2022	Amazon	Glass table anti slip pads, Taboom bulk chocolate	90.97	No	-	Table top spacers, candy
3/24/2022	Morrell's Home Furnishings	Sun Valley drop leaf table	444.83	Yes	25.83	Table
4/12/2022	Amazon	Teas, sticky notes, snacks, LED Christmas lights, books	946.01	No	-	Various items, Christmas lights bought in April, books, teas, coffee
4/25/2022	Amazon	Apple certified iPhone charger	14.99	No	-	Iphone charger
5/3/2022	Florida Association of City Clerks	FACC 2022 Summer conference and academy	400.00	No	-	Conference registration
5/10/2022	IIMC	Payment to International Institute of Municipal Clerks	50.00	No	-	
5/20/2022	Amazon	Bundle of chocolate candy	49.99	No	-	Bulk candy
5/20/2022	Institute of Finance & Management	Accounts payable specialist certification program	675.75	No	-	Accounts payable specialist certification program
5/20/2022	Amazon	Healthy snacks to go, 20 badge holders	328.78	No	-	Various items
5/31/2022	Amazon	Bulk chocolate candy, sandbags with ties	170.77	No	-	Various items
6/2/2022	Stanley Steamer	Commercial clean	408.80	No	-	Carpet clean
6/21/2022	Amazon	Care package of beef jerky	34.89	No	-	Beef jerky and gift wrap. Looks like purchase of a present
6/19/2022	Renaissance Orlando at Seaworld	Hotel stay	537.00	Yes	67.14	Hotel stay FACC conference
7/28/2022	Florida Association of City Clerks	FACC Webinar: Elections -Legislative changes and rules update	75.00	No	-	Webinar
7/6/2022	Amazon	Case for Samsung Galaxy tablet	27.99	Yes	1.96	Tablet case Michael Mallard
7/11/2022	Amazon	Arm & Hammer carpet cleaner, Happy Belly Tea, coffee	248.70	Yes	11.52	Arm & Hammer carpet cleaner, Happy Belly Tea, coffee
7/13/2022	Spire's Grocery Store	Coffee, 3 Musketeer, Milky Way, Kit Kat	24.75	Yes	1.00	Food/groceries
7/15/2022	Dollar General	Green tea	5.35	Yes	0.35	Food/groceries
7/15/2022	Central Florida Expressway Authority	Toll invoice	3.04	No	-	Toll invoice for personal vehicle
7/29/2022	Amazon	Writing to Change the World, The Culture Code	33.37	Yes	2.18	Books
8/1/2022	Florida Association of City Clerks	FACC annual membership dues	75.00	No	-	FACC annual membership dues
8/2/2022	Amazon	Bundle of chocolate candy	69.54	Yes	4.55	Candy
8/2/2022	Amazon	Snacks, Christmas lights, rain poncho, other items	854.35	Yes	46.60	Various items
8/5/2022	Lowes	Flowers	64.74	No	-	Flowers bought in Alachua
8/5/2022	Amazon	Maxwell k-cup 84 count	60.96	No	-	Coffee
8/8/2022	GFOA	Renewal fees - John Sapp	150.00	No	-	Renewal fees - John Sapp
8/8/2022	Florida League of Cities	Renewal fees - John Sapp	50.00	No	-	Renewal fees - John Sapp
8/10/2022	The Gallery Collection	Helix business cards	53.10	No	-	Business cards
8/12/2022	Levenger	Rollerball refills, Smart planner	52.33	Yes	3.42	Rollerball refills, Smart planner
8/18/2022	IIMC	Listen to Your Body - CD	50.00	No	-	Questionable purchase via Paypal

2022-1 Attachment B

Date Ordered	Vendor	Description	Amount	Sales Tax Paid	Sales Tax	Notes
10/20/2021	FREDA	FREDA Summit Dec 2021	285.00	No	-	No notes
12/2/2021	ABC Liquor Store	Chardonnay, Johnnie Walker Scotch, Gin Bourbon	791.36	No	51.77	No notes
12/13/2021	Costco	Various candy	206.70	yes	13.52	Shipping address not included
2/23/2022	Lowes	Not able to determine	59.98	No	-	Not able to determine
4/6/2022	Government Finance Officers Association	Government Finance Officers Association	129.00	No	-	N/A
5/20/2022	The UPS Store	NDA, laptop cust pack	126.27	yes	1.21	UPS store in St. Augustine
8/1/2022		Bank fee for \$20	20.00	No	-	Late fee

2022-1 Attachment C

Date Ordered	Vendor	Description	Amount	Sales Tax Paid	Sales Tax	Notes
9/28/2021	Amazon	2 Steel Trash Cans	1,202.00	Yes	104.44	
9/14/2021	NAPA Auto Parts	2 Group threads 2 Core deposits	381.97	Yes	24.99	
10/17/2021	Wrangler	Clothing Danny's pants	282.48	N/a	N/a	
10/14/2021	Irrigation King	(100) 3/4" Brass Impact Sprinkler	1,042.29	Yes	68.19	
10/13/2021	Amazon	Levis and Wrangler Boot Cut, Slim Fit, Relaxed Fit Jeans	1,061.28	No	-	
11/12/2021	Irrigation King	(100) 3/4" Brass Impact Sprinkler	1,226.22	Yes	80.22	
11/16/2021	Old Navy	6 Straight Built-In flex Jeans for Men (34W 30 L)	160.27	Yes	10.47	
11/17/2021	Amazon	Ridgid 14818 NaviTrack Transmitter	2,295.00	No	-	20.000.533.55200
11/18/2021	Oldcastle APG	Paver Marion Ceramic 9/16" Sundance 655	87.74	Yes	5.74	Paving bricks, paid for in store, no City address associated
11/19/2021	Woodland Manufacturing	Galvanized steel metal letters	382.93	Yes	23.74	
11/17/2021	Amazon	Ridgid NaviTrack Scout Locator	1,646.77	No	-	30.000.535.55200
11/17/2021	Lowe's	15.25 In A+R Leaf Um Whi, other items	513.26	No	-	
11/10/2021	Hobby Lobby	Crafts 2 at 7.99 each	17.10	Yes	1.12	
11/17/2021	Metal Masters of Florida	No description found	212.55	N/a	N/a	
12/9/2021	Truewerk	Men's fit x 6 (38x32)	494.00	No	-	No shipping address included
1/18/2022	US DOT	Alcohol testing form	80.00	N/a	N/a	Post accident test for Joshua Smith
1/12/2022	Buckle	Flannel shirts, Vest, Straight leg pants (3)	328.24	Yes	21.49	Paid 232.04 with City's credit card, split btwn GF, WT, SW
1/10/2022	Tropical Smoothie	1 Peanut Paradise smoothie	8.53	Yes	0.56	"Meeting" with Matthews
1/7/2022	Chick-fil-A	2 Chick-fil-A meals	24.85	Yes	1.63	"Meeting" with Danny
1/13/2022	NAPA Auto Parts	2 Group threads 2 Core deposits	298.49	Yes	19.53	Sold to "Columbia Fleet Services" Lake City, FL
1/25/2022	Dunkin' Donuts	Donuts, coffee, hot chocolate, bacon egg and cheese wra	36.19	N/a	N/a	Receipt amount cut off. "Safety meeting"
2/3/2022	Buckle	3 Jake Straight Jeans	235.25	Yes	15.40	Earned Buckle points, all paid with City card
2/1/2022	Amazon	2 Audio Aux Adapters for iPhones	31.96	No	-	Shipping address not included
2/15/2022	Dick's Sporting goods	Possible Canopy with 1 year warranty	73.81	Yes	4.83	Description not included, SKU relates to Quest 10x10 Q64 Leg Canopy
3/2/2022	Dick's Sporting goods	2 Basketball Nets	17.10	Yes	1.12	
3/4/2022	Chick-fil-A	Chick-fil-A meal purchased for 2	21.43	Yes	N/a	No receipt, hand-written note
3/4/2022	Lowe's	Mini fridge	52.80	No	-	Appears to be a mini fridge
3/7/2022	Rural King	Fuel, battery packs	498.00	No	-	No clear description of what was purchased or City use
5/18/2022	Green's Outdoors and More	Mower blades	97.75	No	6.39	
6/3/2022	Lowe's	Clear gloss, degreaser, landscape items	204.01	Yes	13.35	No clear description of what was purchased or City use
Unclear	Dollar General	Mega Wacky Noodle (7)	N/a	N/a	N/a	Receipt amount cut off. No written purpose.
7/3/2022	Dunkin' Donuts	Donuts, coffee	26.36	Yes	N/a	No receipt, hand-written note, "Safety Meeting"
7/19/2022	Lowe's	Ineligible receipt	127.33	Yes	8.33	No clear description of what was purchased or City use
7/29/2022	Lowe's	Push mower and warranty	487.89	Yes	31.92	Unclear of where item was delivered to or in store pick up
8/16/2022	Unclear	Unclear. Ref CHD0102EH or 17630956	400.00	N/a	N/a	Auditor called number, it was to the Alachua County health department. No written notes to what was purchased.
8/19/2022	Amazon	Otterbox case for Iphone 11	42.79	Yes	2.80	
8/28/2022	Chick-fil-A	Chick-fil-A meal purchased for 2	18.37	N/a	N/a	No clear description of what was purchased or City use. "Meeting with Cal" hand-written note
8/29/2022	Amazon	Rain Bird In-line sprinkler	57.72	Yes	3.78	
9/1/2022	Rountree Moore	1 key	74.85	Yes	4.90	Vehicle key
9/13/2022	Dollar General	Honey buns, Mountain Dew, Gatorades	28.63	Yes	1.38	Food purchased. No GL code, time stamp was 15:48:04
9/19/2022	Buckle	Straight leg pants (2)	160.40	Yes	10.50	Purchased clothing in store at 12:06 PM. No GL code, no City purpose stated. Cody has accumulated 784 Buckle points to his personal account.
9/21/2022	Lowe's	New Construction White Single Hung Window	1,984.00	No	-	No clear description of what was purchased or City use. "Meeting with Cal" hand-written note
10/7/2022	Dollar General	QN Sheet Set	21.40	Yes	1.40	"Safety meeting" hand-written note on receipt
10/10/2022	Amazon	Hand wax for vehicle	52.40	Yes	3.43	
10/10/2022	Amazon	Special connect battery with Wifi	573.52	Yes	37.52	
10/10/2022	Amazon	Solar panel kit off grid system for homes, RV, Boat	149.79	Yes	9.80	
10/10/2022	Amazon	Solar panel kit off grid system for homes, RV, Boat	149.79	Yes	9.80	
10/10/2022	Amazon	Hiking/Fishing shirts, pants (34x32)	586.10	Yes	38.36	
10/19/2022	SP ULTRA BRIGHT LI (LIGHT COMPANY IN NY)	FLASHERS FOR HEADLIGHTS	615.28			
10/20/2022	Buckle	3 Jake Straight Jeans	250.23	Yes	16.38	Split with GL 20.000.533.55200
10/27/2022	Bass Pro Shops	4 Flex Cellular Cameras	432.20	Yes	28.28	
10/24/2022	Amazon	Waterproof offroad LED light, clothes,	833.29	Yes	54.53	Various clothing sizes, split between GLs
10/25/2022	Home Depot	Outdoor Spotlights	101.28			
10/31/2022	Lowe's	Hardie Primed Cement Housing Trim	2,273.50	No	-	Model/ID # listed, but no written description of what was purchased or reason
10/24/2022	Amazon	Hiking/Fishing shirts	329.88	No	-	
11/9/2022	Home Depot	Craftsman clear stain front door	3,660.47	Yes	239.47	
11/18/2022	Hobby Lobby	Christmas items	102.72	Yes	6.72	
11/22/2022	CVS	SD Cards (4)	153.19	Yes	10.03	
12/15/2022	ABC Liquor	Red wine, Moscato, Chardonnay	61.98	Yes	4.06	
12/7/2022	McDonalds	6 Bac Egg Ch McGriddle, 1 hash brown 1 iced coffee	33.84	Yes	2.22	"Wastewater crew meeting" at 7:40 am

2022-1 Attachment D

Date Ordered	Vendor	Description	Amount	Sales Tax Paid	Sales Tax	Notes
9/7/2022	Ocean Buffet Gainesville	1 buffet meal	23.52	N/a	N/a	Meal in Gainesville at 12:43 pm
9/16/2022	Ocean Buffet Gainesville	1 buffet meal	16.21	N/a	N/a	Meal in Gainesville at 12:39
10/19/2022	Amazon	HP OfficeJet printer	594.91	Yes	38.92	
12/1/2021	Amazon	Item description not included	42.78	N/a	N/a	Item description not included
12/2/2021	California State University	Wastewater treatment books	195.00	No	-	Henderson's card, but Nicholas Stitt used to purchase
1/20/2022	Amazon	Toner cartridge replacement	39.58	Yes	2.59	Unsure if this fits the HP printer
8/7/2022	Big Tuna Beach Bar and Grill	Meal	67.10	N/a	N/a	Meal purchased in Daytona Beach at 8:53 pm
8/8/2022	Museum of Arts & Sciences	2 adult tickets	25.90	N/a	N/a	Daytona Beach trip
8/9/2022	Riptides Raw Bar & Grill	Seafood mac and cheese, 1/2 crab, NY Strip	84.66	Yes	5.17	Meal for 2 in Daytona
8/10/2022	Corky Bell's Seafood	Dinner for adults and kids	51.24	Yes	3.35	Dinner for family
8/10/2022	Hilton Daytona	Room and parking	866.94	N/a	N/a	

2022-1 Attachment E

Date Ordered	Vendor	Description	Amount	Sales Tax Paid	Sales Tax	Notes
9/6/2022	Top 100 Registry	2022 Top 100 Registry Plaque	599.95	No	-	Purchased his own plaque, from company in New York
9/6/2022	Institute of Finance and Management	Accounts Rec. Manager Certification	675.75	No	-	Haydent Page's ARM Certification Program
9/30/2022	United States Postal Service	US Flags	24.00	No	No	Coded under City Manager supplies
9/10/2022	Hobby Lobby	Unavailable	16.04	N/a	N/a	Receipt not properly documented
9/20/2022	Hobby Lobby	Unavailable	74.88	N/a	N/a	Receipt not properly documented
9/23/2022	OnStar	Unavailable	42.79	N/a	N/a	OnStar services within vehicle
9/24/2022	OnStar	Unavailable	15.00	N/a	N/a	Onstar data plan (possibly wifi for car)
10/4/2022	Prudent Publishing Co (The Gallery Collection)	Sparkling Pines Cards	211.12	N/a	N/a	Appears to be either greeting cards with 25 additional envelopes
10/6/2022	NAPA Auto Parts	Car shampoo, Arm All, Mothers	42.47	Yes	2.97	Auditor called for clarification - car wash, armor all, and a rubbing compound for 1 vehicle
10/17/2022	Florida League of Cities	FCCMA 2023 Winter Institute	300.00	No	No	Registration information
10/17/2022	Sheraton	Reservation for 2/8/23	179.00	No	179.00	Advance deposit receipt
10/27/2022	Adobe	Adobe stock photo	29.99	N/a	N/a	Adobe stock photo package, receipt not documented
10/7/2022	Home Depot	70 drywall sheets	1,054.59	Yes	68.99	Appears to be an order for Cody
11/5/2022	Corky Bell's Seafood	Seafood dinners	146.21	Yes	7.60	Palatka event with board members
11/10/2022	Successories	Corporate Padfolio (12)	182.49		10.35	No purpose stated
11/13/2022	Office Depot Office Max	Uni-vis elite	12.99	No	-	Coded under City Manager supplies
11/17/2022	Cindy Thomas	Unavailable	30.00			\$5 tip, "Leadership Expectations" for Cody, John and Dale
11/29/2022	Levenger Company	500 total personalized cards	87.95	Yes	5.75	Greeting cards
12/10/2022	Hobby Lobby	Christmas supplies	33.38	No	2.18	Christmas promo at Hobby Lobby
12/30/2022	Office Depot Office Max	Paper, pocket FC Ltr, CVR 100pk	94.77	No	-	Coded under City Manager supplies
7/29/2022	ICMA	8 week course	999.00	No	-	"Leading with Analytics" course
9/28/2021	Government Finance Officers Association	BAP Submission Fee	3,450.00	No	-	Budget award submission
9/13/2021	Levenger Company	1 each- leather notebook, pocket dividers, weekly agenda	165.76		10.85	Coded under Finance office supplies
9/10/2021	Levenger Company	Unavailable	55.96		3.66	Ordered by Dale for Mike
9/27/2021	Spires Grocery	2 meals	N/a	N/a	N/a	Receipt not properly documented
9/5/2021	Lowes	Celosia flowers, assorted flowers	61.85		4.05	Flowers, in store purchase in Alachua
10/6/2021	Successories	1 desk clock with engraving	63.48	Yes	3.50	Coded to City Commission supplies
10/3/2021	Office Depot Office Max	Bookend, cards, usb elite edge	63.86	No	-	Coded under City Manager supplies
12/6/2021	SHRM	Professional membership, dual membership	284.00	No	-	
11/3/2021	Spires Grocery	Food	7.98	No	-	Not coded, no notes
11/30/2021	Gigi's Cuban Café	2 café con leche	9.64	Yes	0.53	"Conversation with Mike"
12/17/2021	Gigi's Cuban Café	Chicken fricassee, cortadito, café con leche	28.24	Yes	1.54	4.71 tip, food purchase
12/5/2021	Lowes	Flowers in pot 4	74.13	Yes	4.85	Flowers, in store purchase in Alachua
N/a	Spires Grocery	Food	7.98	No	-	Food purchase, date cutoff on receipt
1/13/2022	Government Finance Officers Association	Annual conference in Texas	505.00	No	-	Annual conference in Texas
1/27/2022	DoubleTree by Hilton	One night stay	318.26	Yes		"Rural county days"
1/2/2022	Lowes	Flowers	56.09	Yes	3.67	Different flowers
1/22/2022	Hobby Lobby	Spring promo	17.97	Yes	1.18	Description not clear

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
FLORIDA STATUTES RELATING TO LOCAL GOVERNMENT INVESTMENTS**

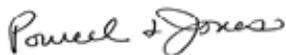
To the Mayor and
Members of the City Commission
City of Lake Butler, Florida

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, 2022. 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, 2022. 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, 2022.

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 and Jones CPA
Lake City, Florida
May 29, 2023

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, 2022, 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

2021-1

Bank Statement Reconciliations

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

This audit finding has been corrected in the current year.

2021-2

Balance Sheet Ending Balances

From our audit of general ledger ending balances in each of the City's funds, we found that a significant amount of ending balances were either not supported by documentation or were 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 recommended that the City appropriately accrue receivables and payables, correct loan amounts to proper ending balances, and adjust fixed assets per detail schedules.

This audit finding has been corrected in the current year.

CURRENT YEAR FINDINGS

All current year findings are contained in the Schedule of Findings and Questioned Costs on pages 70 - 72.

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.

During our audit we found that the City experienced deteriorating financial conditions in their water and sewer utility funds. The average monthly operating expenses of the water and sewer funds is \$232,226. Unrestricted cash reserves dropped \$296,613 from \$761,736 to \$465,123 representing approximately two months of cash reserves. Unrestricted net position was at (\$3,568) for Water Fund and \$275,233 for Sewer Fund totaling \$271,665. This represents just over one month of available net position. These figures are substantially below averages for other similarly sized governments and our recommended minimum levels. If this situation is not corrected it could potentially lead to a state of financial emergency. We recommend that the City take immediate corrective action to ameliorate this condition.

Dependent Special District – As required by Section 218.39(3)(c), Florida Statutes and Section 10.554(1)(i)6 Rules of the Auditor General, the Lake Butler Redevelopment Agency (CRA) reported:

<u>Data Element</u>	<u>Reference</u>	<u>Comment</u>
The total number of CRA employees compensated in the last pay period of the CRA's fiscal year being reported.	Section 218.32(1)(e)(2)(a)	0
The total number of independent contractors to whom nonemployee compensation was paid in the last month of the CRA's fiscal year being reported.	Section 218.32(1)(e)(2)(b)	0
All compensation earned by or awarded to the CRA employees, whether paid or accrued, regardless of contingency.	Section 218.32(1)(e)(2)(c)	\$ 56,072
Budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the CRA amended a final adopted budget under Section 189.016(6), Florida Statutes.	Section 218.32(1)(e)(3)	See page 25 of this annual financial report.
Each construction project with a total cost of at least \$65,000 approved by the CRA that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project.	Section 218.32(1)(e)(2)(e)	\$ -

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.

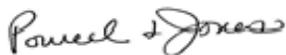
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

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, 2022, 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 and Jones CPA
Lake City, Florida
May 29, 2023



June 24, 2023

Ref: Response to Audit Findings

2022-1 – Credit Card Abuse

All six credit cards that had been issued to employees were recalled. One card is now available at city hall and may be signed out for use when needed for purchases for the city. Receipts are confirmed when the monthly bill is received.

Credit Card purchases made by five listed employees are being reviewed. Questionable purchases will be reviewed with each employee. Those found to be ineligible costs will be billed for payment to reimburse the city.

The purchasing policy will be updated to include appropriate use of credit cards.

2022-2 - Fuel Purchasing System

Fuel purchasing procedures have been revised to enable more accurate tracking of all purchases. Assigned city vehicles shall be used strictly for city activity. In this instance, the costs incurred for personal use shall be determined. A 1099 will be issued to employees affected as taxable income. Vehicle use policy will be updated to prevent this from reoccurring.

2022-3 Questioned Costs

The city is no longer paying personal expenses for any employee. The City is revising it's cell phone policy in order to maintain absolute control over all city owned phones and tablets. The shoe policy will be revised to apply to only outside workers on a reimbursable basis. All unbudgeted items require a budget amendment and approval by the Commission. The fence installed at the cemetery will be investigated and appropriate action taken as necessary.

2022 – 4 Property Exchange

The City has procedures in place for situations like the sale or exchange of property. These procedures were not followed by management. The Commission is dealing with this situation.

2022 – 5 IRS Noncompliance

This has already been addressed in a previous response.

2022 – 6 Related Parties and Bid Support

The city purchasing policy addresses this issue. It was obviously ignored by management. It is the city's intent to enforce the existing purchasing policy.

2022 – 7 Employee Leave Records

This has been addressed. Employee accrued leave is recorded in the payroll program and is reflected on the employee check stub.

2022-8 Audit Solicitation

The City is investigating this bid process. If the process was improper, appropriate action will be taken, including readvertising for new RFQ's.

2022 – 9 Budget Administration

When the annual budget is adopted by the Commission, it is the controlling document for revenue and expenses for the fiscal year. Apparently, management chose to ignore the document. That problem is addressed. The manager is no longer employed by the city. The Commission now receives a monthly budget update that is reviewed at the monthly Commission Meeting. If needed, amendments are presented for approval by the commission.

This concludes the responses to the audit findings.

Respectfully submitted,



Richard O. Tillis
Interim City Manager

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, 2022. 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 May 29, 2023.

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

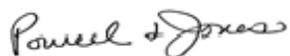
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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 and Jones CPA
Lake City, Florida
May 29, 2023