

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2014

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2014

TABLE OF CONTENTS

	PAGE NO.
INTRODUCTORY SECTION	
List of Principal Officials	5
FINANCIAL STATEMENTS	
Independent Auditor's Report	7 - 9
Management's Discussion and Analysis	10 - 14
Basic Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Governmental Funds	
Balance Sheet	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Fund	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
Notes to Financial Statements	24 - 41
Required Supplementary Information	
General Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	43 - 45
Downtown Development Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	46

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2014

TABLE OF CONTENTS

	PAGE NO.
Street Improvement Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	47
Community Development Block Grant Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	48
Notes to Required Supplementary Information	49 - 50
COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards and State Financial Assistance	52
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	53
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 <i>Government Auditing Standards</i>	54 - 55
Management Letter	56 - 57
Independent Auditor's Report	58
Communication with Those Charged with Governance	59 - 60

INTRODUCTORY SECTION

CITY OF LAKE BUTLER, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2014

MAYOR

Fred Sirmones

VICE MAYOR

Debra Browning

CITY COMMISSION

Scott Cason

Annette Redman

Randy Jenkins

CITY MANAGER

David Mecusker

CITY ATTORNEY

John E. Maines, IV

FINANCIAL STATEMENTS



Powell & Jones
Certified Public Accountants

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

1359 S.W. Main Blvd.
Lake City, Florida 32025
386 / 755-4200
Fax: 386 / 719-5504
admin@powellandjonescpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lake Butler (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Butler, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

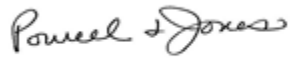
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lake Butler's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, and is not a required part of the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

The schedule of expenditures of federal awards is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 March 31, 2015, 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.

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

POWELL & JONES
Certified Public Accounts
March 31, 2015

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

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

Report Layout

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

Basic Financial Statements

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

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

City as a Whole

Government-wide Financial Statements

Net Position at September 30, 2014 and 2013

	Governmental Activities	Business-type Activities	Total Government	
			2014	2013
Assets				
Cash and cash equivalents	\$ 998,598	\$ 574,313	\$ 1,572,911	\$ 1,604,770
Other assets	27,040	133,775	160,815	198,812
Capital assets	1,978,738	1,572,239	3,550,977	3,792,650
Total assets	3,004,376	2,280,327	5,284,703	5,596,232
Liabilities				
Current liabilities	57,568	62,491	120,059	211,784
Long term liabilities	18,689	1,270,053	1,288,742	1,250,277
Total liabilities	76,257	1,332,544	1,408,801	1,462,061
Net position				
Invested in capital assets, net				
of related debt	1,978,738	357,789	2,336,527	2,491,968
Restricted	116	197,112	197,228	306,271
Restricted - road projects	377,996	-	377,996	377,618
Unrestricted	571,269	392,882	964,151	958,314
Total net position	\$ 2,928,119	\$ 947,783	\$ 3,875,902	\$ 4,134,171

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 \$116 in the community redevelopment program, \$377,996 for street improvements, and \$197,112 in the City's Proprietary Fund.

The City's net position decreased \$258,269 over the year and includes a prior period downward adjustment of \$31,697. The decrease is primarily due to depreciation of capital assets in the Utility Fund and Governmental Fund.

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, 2014 and 2013

	Governmental Activities	Business-type Activities	Total Government	
			2014	2013
Revenues				
Program revenues				
Charges for services	\$ 84,852	\$ 1,174,734	\$ 1,259,586	\$ 1,348,063
Grants and contributions	55,832	-	55,832	210,471
General revenues				
Taxes	369,170	-	369,170	355,162
Franchise fees	132,883	-	132,883	121,511
State shared revenues	121,449	-	121,449	121,598
Interest	1,007	548	1,555	1,491
Rents, royalties and other	43,274	4,535	47,809	35,802
Loss on disposals	-	-	-	(22,010)
Total revenues	<u>808,467</u>	<u>1,179,817</u>	<u>1,988,284</u>	<u>2,172,088</u>
Expenses				
General government	388,756	-	388,756	385,619
Public safety	147,857	-	147,857	140,685
Physical environment	2,244	-	2,244	1,044
Transportation	212,212	-	212,212	203,436
Economic environment	175	-	175	175
Human services	40,046	-	40,046	10,476
Culture/recreation	204,423	-	204,423	186,669
Interest on long-term debt	-	58,560	58,560	62,194
Water	-	322,454	322,454	344,586
Garbage services	-	138,719	138,719	124,850
Sewer	-	699,410	699,410	712,897
Total expenses	<u>995,713</u>	<u>1,219,143</u>	<u>2,214,856</u>	<u>2,172,631</u>
Transfers in (out)	162,946	(162,946)	-	-
Change in net position	(24,300)	(202,272)	(226,572)	(543)
Beginning net position	2,952,419	1,181,752	4,134,171	4,131,283
Prior period adjustment	-	(31,697)	(31,697)	3,431
Ending net position	<u>\$ 2,928,119</u>	<u>\$ 947,783</u>	<u>\$ 3,875,902</u>	<u>\$ 4,134,171</u>

Governmental activities:

Taxes provide 46% of the revenues for Governmental Activities, while franchise fees provide 16%. Most of the Governmental Activities resources are spent for General Government (40%), Culture/recreation (21%), and Transportation (22%).

Business-type activities:

Business-type activities decreased the City's net position by \$202,272. This decrease is primarily due to the depreciation of capital assets.

Budgetary Highlights

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

Capital Assets and Debt Administration

Capital Assets

At September 30, 2014, the City had \$3.55 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, roads, bridges and water and sewer facilities. This amount represents a net decrease (additions, deductions, and depreciation) of \$241,673 or 6.4% less than last year. This decrease was primarily attributable to the depreciation expense charges for the year.

Capital Assets at September 30, 2014 and 2013

	Governmental		Business-type		Totals	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 84,551	\$ 84,551	\$ 541,813	\$ 541,813	\$ 626,364	\$ 626,364
CIP	-	57,826	-	-	-	57,826
Buildings	2,962,761	2,716,575	135,000	135,000	3,097,761	2,851,575
Improvements	15,307,067	15,287,431	5,506,822	5,506,822	20,813,889	20,794,253
Equipment	558,055	555,795	233,151	225,064	791,206	780,859
Subtotal	18,912,434	18,702,178	6,416,786	6,408,699	25,329,220	25,110,877
Accumulated depreciation	(16,933,696)	(16,787,970)	(4,844,547)	(4,530,257)	(21,778,243)	(21,318,227)
Capital assets, net	<u>\$ 1,978,738</u>	<u>\$ 1,914,208</u>	<u>\$ 1,572,239</u>	<u>\$ 1,878,442</u>	<u>\$ 3,550,977</u>	<u>\$ 3,792,650</u>

Debt Outstanding

At year-end, the City had \$1,214,450 in debt outstanding versus \$1,300,682 last year, a decrease of \$86,232.

Debt Outstanding at September 30, 2014 and 2013

	Governmental		Business-type		Totals	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ -	\$ -	\$ 1,100,000	\$ 1,151,000	\$ 1,100,000	\$ 1,151,000
Loan payable	-	-	114,450	149,682	114,450	149,682
	-	-	1,214,450	1,300,682	1,214,450	1,300,682
Compensated absences	21,987	22,936	18,355	16,955	40,342	39,891
Total	\$ 21,987	\$ 22,936	\$ 18,355	\$ 1,317,637	\$ 1,254,792	\$ 1,340,573

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

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The current unemployment rate for Union County was 5.6%. This rate represents a decrease over the prior year rate of 6.0%.
- The official population for the City in 2014 was 2,123 and is estimated to be approximately the same in 2015.
- The ad valorem tax rate for the City was 2.2599 mills in 2014.

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, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 998,598	\$ 377,201	\$ 1,375,799
Accounts receivable - net	17,044	49,388	66,432
Due from other governmental units	9,996	38,810	48,806
Due from other funds	-	45,577	45,577
Total current assets	<u>1,025,638</u>	<u>510,976</u>	<u>1,536,614</u>
Noncurrent assets			
Restricted assets			
Cash	-	196,201	196,201
Cash with paying agent	-	911	911
Total restricted assets	<u>-</u>	<u>197,112</u>	<u>197,112</u>
Capital assets - net	<u>1,978,738</u>	<u>1,572,239</u>	<u>3,550,977</u>
Total assets	<u>\$ 3,004,376</u>	<u>\$ 2,280,327</u>	<u>\$ 5,284,703</u>
LIABILITIES			
Current liabilities payable from current assets			
Accounts payable	\$ 2,849	\$ 14,699	\$ 17,548
Accrued liabilities	5,844	8,104	13,948
Due to other funds	45,577	-	45,577
Notes payable, current	-	36,935	36,935
Accrued compensated absences	3,298	2,753	6,051
Total current liabilities payable from current assets	<u>57,568</u>	<u>62,491</u>	<u>120,059</u>
Current liabilities payable from restricted assets			
Accrued interest payable	-	4,553	4,553
Deposits	-	72,383	72,383
Current portion serial bonds	-	52,000	52,000
Total current liabilities payable from restricted assets	<u>-</u>	<u>128,936</u>	<u>128,936</u>
Noncurrent liabilities			
Note payable	-	77,515	77,515
Serial bonds payable	-	1,048,000	1,048,000
Accrued compensated absences	18,689	15,602	34,291
Total noncurrent liabilities	<u>18,689</u>	<u>1,141,117</u>	<u>1,159,806</u>
Total liabilities	<u>76,257</u>	<u>1,332,544</u>	<u>1,408,801</u>
NET POSITION			
Invested in capital assets net of related debt	1,978,738	357,789	2,336,527
Restricted for:			
Road projects	377,996	-	377,996
Other purposes	116	197,112	197,228
Unrestricted	571,269	392,882	964,151
Total net position	<u>2,928,119</u>	<u>947,783</u>	<u>3,875,902</u>
Total liabilities and net position	<u>\$ 3,004,376</u>	<u>\$ 2,280,327</u>	<u>\$ 5,284,703</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental Activities							
General government	\$ 388,756	\$ 16,496	\$ -	\$ -	\$ (372,260)	\$ -	\$ (372,260)
Public safety	147,857	-	-	55,411	(92,446)	-	(92,446)
Physical environment	2,244	-	-	-	(2,244)	-	(2,244)
Transportation	212,212	68,356	-	-	(143,856)	-	(143,856)
Economic environment	175	-	-	-	(175)	-	(175)
Human services	40,046	-	-	-	(40,046)	-	(40,046)
Culture/recreation	204,423	-	-	421	(204,002)	-	(204,002)
Total governmental activities	995,713	84,852	-	55,832	(855,029)	-	(855,029)
Business-type activities							
Water services	322,454	301,596	-	-	-	(20,858)	(20,858)
Garbage and solid waste services	138,719	150,291	-	-	-	11,572	11,572
Sewer services	699,410	722,847	-	-	-	23,437	23,437
Interest on long-term debt	58,560	-	-	-	-	(58,560)	(58,560)
Total business-type activities	1,219,143	1,174,734	-	-	-	(44,409)	(44,409)
Total government	\$ 2,214,856	\$ 1,259,586	\$ -	\$ 55,832	(855,029)	(44,409)	(899,438)
			General revenues				
			Ad valorem taxes		116,281	-	116,281
			Franchise fees		132,883	-	132,883
			Utility taxes		128,738	-	128,738
			Sales and use taxes		124,151	-	124,151
			Federal and state shared revenue		121,449	-	121,449
			Interest		1,007	548	1,555
			Miscellaneous		43,274	4,535	47,809
			Transfers in (out)		162,946	(162,946)	-
			Total general revenues		830,729	(157,863)	672,866
			Change in net position		(24,300)	(202,272)	(226,572)
			Net assets beginning		2,952,419	1,181,752	4,134,171
			Prior period adjustment		-	(31,697)	(31,697)
			Net position, ending		\$ 2,928,119	\$ 947,783	\$ 3,875,902

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2014

	<u>Special Revenue Funds</u>			<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Downtown Redevelopment</u>	<u>Street Improvement</u>	<u>Community Development Block Grant</u>	
ASSETS					
Current assets					
Cash	\$ 620,486	\$ 16	\$ 377,996	\$ 100	\$ 998,598
Accounts receivable	17,044	-	-	-	17,044
Due from state	9,996	-	-	-	9,996
Total assets	<u>\$ 647,526</u>	<u>\$ 16</u>	<u>\$ 377,996</u>	<u>\$ 100</u>	<u>\$ 1,025,638</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Current liabilities					
Accounts payable	\$ 2,849	\$ -	\$ -	\$ -	\$ 2,849
Accrued liabilities	5,844	-	-	-	5,844
Due to other funds	45,577	-	-	-	45,577
Total liabilities	<u>54,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,270</u>
FUND BALANCES					
Restricted	-	16	377,996	100	378,112
Unassigned	593,256	-	-	-	593,256
Total fund balances	<u>593,256</u>	<u>16</u>	<u>377,996</u>	<u>100</u>	<u>971,368</u>
Total liabilities and fund balances	<u>\$ 647,526</u>	<u>\$ 16</u>	<u>\$ 377,996</u>	<u>\$ 100</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

1,978,738

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

(21,987)

Net position of governmental activities

\$ 2,928,119

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
September 30, 2014

	General Fund	Special Revenue Funds		Capital Project Fund	Total Governmental Funds
		Downtown Redevelopment	Street Improvement	Community Development Block Grant	
REVENUES					
Taxes	\$ 450,624	\$ 51,429	\$ -	\$ -	\$ 502,053
Licenses and permits	16,496	-	-	-	16,496
Intergovernmental	121,449	421	-	55,411	177,281
Charges for services	68,356	-	-	-	68,356
Miscellaneous	43,871	32	378	-	44,281
Total revenue	700,796	51,882	378	55,411	808,467
EXPENDITURES					
Current expenditures					
General government	371,399	-	-	-	371,399
Public safety	117,301	-	-	-	117,301
Physical environment	2,244	-	-	-	2,244
Transportation	187,334	-	-	-	187,334
Economic environment	-	175	-	-	175
Human services	10,046	30,000	-	-	40,046
Culture/recreation	132,437	-	-	-	132,437
Capital outlay					
General government	-	-	-	-	-
Public safety	1,205	-	-	49,596	50,801
Human services	-	-	-	-	-
Culture/recreation	2,261	151,379	-	5,815	159,455
Total expenditures	824,227	181,554	-	55,411	1,061,192
Excess of revenues over (under) expenditures	(123,431)	(129,672)	378	-	(252,725)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	152,427	10,519	-	-	162,946
Interfund transfers out	-	-	-	-	-
Total other financing sources (uses)	152,427	10,519	-	-	162,946
Net change in fund balances	28,996	(119,153)	378	-	(89,779)
Fund balances at beginning of year	564,260	119,169	377,618	100	1,061,147
Fund balances at end of year	\$ 593,256	\$ 16	\$ 377,996	\$ 100	\$ 971,368

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, 2014

Net change in fund balances - total government funds		\$ (89,779)
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	210,256	
Less current year depreciation	(145,726)	64,530
	<hr/>	
Some expenses reported in the statmeent of activities do not require the use of current financial resources, therefore, are not reported as expenditres in governmental funds.		
Net decrease in compensated absences		949
Change in net position of governmental activities		\$ (24,300)
		<hr/> <hr/>

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 September 30, 2014**

ASSETS	<u>Enterprise Fund</u>
Current assets	
Cash	\$ 377,201
Accounts receivable	104,909
Allowance for doubtful accounts	(55,521)
Due from other governmental units	38,810
Due from other funds	45,577
Total current assets	<u>510,976</u>
Restricted assets	
Cash	196,201
Cash with paying agent	911
Total restricted assets	<u>197,112</u>
Noncurrent assets	
Fixed assets	
Land	541,813
Improvements other than buildings	5,641,822
Equipment	233,150
Allowance for depreciation	(4,844,546)
Total fixed assets	<u>1,572,239</u>
Total assets	<u>\$ 2,280,327</u>
LIABILITIES	
Current liabilities payable from current assets	
Accounts payable	\$ 14,699
Accrued liabilities	8,104
Due to other funds	-
Current portion of loan payable	36,935
Total current liabilities payable from current assets	<u>59,738</u>
Current liabilities payable from restricted assets	
Accrued interest payable	4,553
Deposits	72,383
Current portion serial bonds	52,000
Total current liabilities payable from restricted assets	<u>128,936</u>
Other liabilities	
Accrued leave payable	<u>18,355</u>
Noncurrent liabilities	
Long-term liabilities	
Loan payable	77,515
Serial bonds payable	1,048,000
Total long-term liabilities	<u>1,125,515</u>
Total liabilities	<u>1,332,544</u>
NET POSITION	
Invested in capital assets net of related debt	357,789
Restricted	197,112
Unrestricted	392,882
Total net position	<u>947,783</u>
Total liabilities and net position	<u>\$ 2,280,327</u>

CITY OF LAKE BUTLER, FLORIDA (KIM)

**PROPRIETARY FUND TYPE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2014**

OPERATING REVENUES	<u>Enterprise Fund</u>
Charges for services	
Water utility services	\$ 294,816
Sewer utility services	716,038
Garbage solid waste services	150,291
Water tap in and connection	6,809
Cut on/off fees	6,780
Miscellaneous	4,535
Total operating revenues	<u>1,179,269</u>
 OPERATING EXPENSES	
Water services	
Personnel services	132,847
Operating expenses	189,607
Total water services	<u>322,454</u>
 Sewer services	
Personnel services	189,588
Operating expenses	509,822
Total sewer services	<u>699,410</u>
 Garbage and solid waste services	
Operating expenses	138,719
Total operating expenses	<u>1,160,583</u>
 Operating Income	<u>18,686</u>
 NONOPERATING REVENUES (EXPENSES)	
Interest revenue	548
Interest expense	(58,560)
Total nonoperating revenues (expenses)	<u>(58,012)</u>
 Expense before operating transfers	<u>(39,326)</u>
 OPERATING TRANSFERS	
Interfund transfers out	<u>(162,946)</u>
 Net income (loss)	<u>(202,272)</u>
 Net position, beginning of year	1,181,752
Prior period adjustment	(31,697)
Net position, end of year	<u><u>\$ 947,783</u></u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

**PROPRIETARY FUND TYPE
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended September 30, 2014

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers, including cash deposits	\$ 1,201,844
Cash paid to suppliers	(503,159)
Cash paid to employees	(313,076)
Net cash provided by operating activities	<u>385,609</u>
Cash flows from non-capital related financing activities:	
Interfund transfers	(211,711)
Net cash used in non-capital related financing activities	<u>(211,711)</u>
Cash flows from capital and related financing activities:	
Principal payments	(8,086)
Interest payments	(86,232)
Net cash used in capital and related financing activities	<u>(153,160)</u>
Cash flows from investing activities:	
Investment income	548
Net Increase in cash	21,286
Cash, at beginning of year	553,027
Cash, at end of year	<u>\$ 574,313</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 18,686
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	314,289
	<u>314,289</u>
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable	18,567
Due from other governments	8,731
Accounts payable	11,969
Accrued liabilities	7,959
Customer deposits	4,008
Compensated absences	1,400
Total adjustments	<u>366,923</u>
Net cash provided by operating activities	<u>\$ 385,609</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

1. Government-wide Financial Statements

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

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

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

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

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

2. Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Major Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

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

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

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

2. Proprietary Major Fund:

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

3. Non-current Governmental Assets/Liabilities:

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

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.

2. Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2014, the City's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.

3. **Allowance for Doubtful Accounts** - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2014, this allowance account totaled \$55,521 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, 2014.
4. **Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
5. **Inventories** - The costs of governmental inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any such inventory type goods on hand at year end would not be material.
6. **Restricted Assets** - As applicable, year to year, certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The fund balance related to the City Community Redevelopment Agency is also classified as restricted due to legal limitations on the use of these funds.

7. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.
8. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

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

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

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

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

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

A. Governmental Funds

As of September 30, 2014, 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, 2014, fund balances are composed of the following:

	General Fund
Restricted, transportation	\$ 377,996
Restricted, community redevelopment	116
Unassigned	593,256
	<u>\$ 971,368</u>

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

B. Proprietary Funds

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

As of September 30, 2014, net position balances are composed of the following:

	Amount
Invested in capital assets, net	\$ 357,789
Restricted - debt service	197,112
Unrestricted	392,882
	<u>\$ 947,783</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 \$971,368 differs from “net position” of governmental activities \$2,928,119 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	\$ 18,912,434
Accumulated depreciation	(16,933,696)
Total	<u>\$ 1,978,738</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, 2014, were:

Compensated absences	<u>\$ (21,987)</u>
----------------------	--------------------

CITY OF LAKE BUTLER, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Net Position
ASSETS				
Cash and cash equivalents	\$ 998,598	\$ -	\$ -	\$ 998,598
Accounts receivable, net	17,044	-	-	17,044
Due from other governments	9,996	-	-	9,996
Capital assets, net	-	1,978,738	-	1,978,738
Total assets	1,025,638	1,978,738	-	3,004,376
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	2,849	-	-	2,849
Accrued liabilities	5,844	-	-	5,844
Due to other funds	45,577	-	-	45,577
Accrued compensated absences	-	-	21,987	21,987
Total liabilities	54,270	-	21,987	76,257
Fund balance	971,368	1,978,738	(21,987)	2,928,119
Total liabilities and fund balance	\$ 1,025,638	\$ 1,978,738	\$ -	\$ 3,004,376

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

The “net change in fund balances” for governmental funds \$(89,779) differs from the “change in net position” for governmental activities \$(24,300) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	\$ 210,256
Depreciation expense	(145,726)
Difference	<u>\$ 64,530</u>

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

Net decrease in compensated absences	<u>\$ 949</u>
--------------------------------------	---------------

CITY OF LAKE BUTLER, FLORIDA (KIM)

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

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

	<u>Total Governmental Funds</u>	<u>Capital Related Items</u>	<u>Long-Term Debt Transactions</u>	<u>Statement of Activities</u>
REVENUES				
Taxes	\$ 502,053	\$ -	\$ -	\$ 502,053
Licenses and permits	16,496	-	-	16,496
Intergovernmental	177,281	-	-	177,281
Charges for services	68,356	-	-	68,356
Miscellaneous	44,281	-	-	44,281
Total revenue	<u>808,467</u>	<u>-</u>	<u>-</u>	<u>808,467</u>
EXPENDITURES				
Current expenditures				
General government	371,399	18,306	(949)	388,756
Public safety	117,301	30,556	-	147,857
Physical environment	2,244	-	-	2,244
Transportation	187,334	24,878	-	212,212
Economic environment	175	-	-	175
Human services	40,046	-	-	40,046
Culture/recreation	132,437	71,986	-	204,423
Capital outlay				
General government	-	-	-	-
Public safety	50,801	(50,801)	-	-
Human services	-	-	-	-
Culture/recreation	159,455	(159,455)	-	-
Loss on disposal of assets	-	-	-	-
Total expenditures	<u>1,061,192</u>	<u>(64,530)</u>	<u>(949)</u>	<u>995,713</u>
Excess of revenues over (under) expenditures	<u>(252,725)</u>	<u>64,530</u>	<u>949</u>	<u>(187,246)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	162,946	-	-	162,946
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	<u>162,946</u>	<u>-</u>	<u>-</u>	<u>162,946</u>
Net change in fund balances/net position	<u>(89,779)</u>	<u>64,530</u>	<u>949</u>	<u>(24,300)</u>
Fund balances/net position at beginning of year	1,061,147	1,914,208	(22,936)	2,952,419
Prior period adjustment	-	-	-	-
Fund balances/net position at end of year	<u>\$ 971,368</u>	<u>\$ 1,978,738</u>	<u>\$ (21,987)</u>	<u>\$ 2,928,119</u>

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the City deposits totaling \$1,580,888 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, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities:</u>				
Capital assets:				
Land	\$ 84,551	\$ -	\$ -	\$ 84,551
CIP	57,826	-	(57,826)	-
Buildings	2,716,576	246,186	-	2,962,762
Other improvements	15,287,431	19,635	-	15,307,066
Machinery and equipment	555,795	2,261	-	558,056
Total capital assets	18,702,179	268,082	(57,826)	18,912,435
Less accumulated depreciation	(16,787,971)	(145,726)	-	(16,933,697)
Governmental activities capital assets, net	\$ 1,914,208	\$ 122,356	\$ (57,826)	\$ 1,978,738
<u>Business-type activities:</u>				
Land	\$ 541,813	\$ -	\$ -	\$ 541,813
Buildings	135,000	-	-	135,000
Improvements other than buildings	5,506,822	-	-	5,506,822
Machinery and equipment	225,064	8,087	-	233,151
Total capital assets	6,408,699	8,087	-	6,416,786
Less accumulated depreciation	(4,530,257)	(314,289)	-	(4,844,546)
Business-type activities capital assets, net.	\$ 1,878,442	\$ (306,202)	\$ -	\$ 1,572,240

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

Governmental activities:	
General Government	\$ 18,306
Public Safety	30,556
Transportation	24,878
Parks and recreation	71,986
Total depreciation expense - governmental entities	\$ 145,726
Business-type activities:	
Water and sewer utility	\$ 314,289

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2014.

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 45,577	\$ -
Proprietary	-	45,577
	<u>\$ 45,577</u>	<u>\$ 45,577</u>

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General	\$ 162,946	\$ -
Enterprise	-	162,946
	<u>\$ 162,946</u>	<u>\$ 162,946</u>

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

NOTE 9. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2014, were as follows:

	<u>Account</u>	<u>Due from Others/ Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:	\$ 17,044	\$ 9,996	\$ 27,040
Business-type activities:	49,388	38,810	88,198
	<u>\$ 66,432</u>	<u>\$ 48,806</u>	<u>\$ 115,238</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$55,521.

Payables

Payables at September 30, 2014, were as follows:

	<u>Vendors</u>
Governmental activities:	\$ 2,849
Business-type activities:	14,699
	<u>\$ 17,548</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, 2014:

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Compensated Absences	\$ 22,936	\$ -	\$ (949)	\$ 21,987

Business-type Activities

A summary of proprietary fund debt as of September 30, 2014, follows:

Water and Sewer Revenue Bonds 1980 - Gross revenues of the water and sewer system primarily, and secondarily the City's proceeds of its utility services taxes and guaranteed entitlement portion of State Revenue Sharing are pledged to service this debt. The outstanding balance at September 30, 2014, is \$160,000. The remaining bonds mature annually from September 1, 2009 through September 1, 2019, at averaged payments of \$37,000, including interest at 5%.

Water and Sewer Revenue Bonds 1998 - Gross revenues of the water and sewer system primarily, and secondarily the City's proceeds of its utility services taxes are pledged to service this debt. The outstanding balance at September 30, 2014, is \$940,000. The remaining bonds mature annually from September 1, 2006 through September 1, 2037, at averaged payments of \$66,391, including interest at 4.5%.

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

Water and Sewer Revenue Bonds 1980 - A reserve is required by the bond ordinance to accumulate sufficient funds to be used for: (a) repair and replacement of the water system due to catastrophe, (b) constructing improvements to increase net revenues of the Enterprise Fund, and (c) payment of any principal and interest if the funds of the Sinking Fund are insufficient. The reserve is maintained by transferring monthly from the revenue account \$310, until a maximum amount of \$37,200 is attained. This reserve was fully funded at September 30, 2014.

Water and Sewer Revenue Bonds 1998 - A reserve is required by the bond ordinance to accumulate sufficient funds to be used for: (a) repair and replacement of the water system due to catastrophe, (b) constructing improvements to increase net revenues of the Enterprise Fund, and (c) payment of any principal and interest if the funds of the Sinking Fund are insufficient. The reserve is maintained by transferring monthly from the revenue account \$560, until a maximum amount of \$67,148 is attained. This reserve was fully funded at September 30, 2014.

Revenue bond debt service requirements to maturity, including \$621,647 of interest, are as follows:

Fiscal Year Ending 30-Sep	1980 Bonds	1998 Bonds	Total
2015	\$ 37,400	\$ 66,184	\$ 103,584
2016	37,000	66,333	103,333
2017	36,550	66,095	102,645
2018	37,050	66,925	103,975
2019	37,450	66,562	104,012
2020-2024	8,750	332,676	341,426
2025-2029	-	332,940	332,940
2030-2034	-	332,269	332,269
2035-2037	-	197,463	197,463
	<u>\$ 194,200</u>	<u>\$ 1,527,447</u>	<u>\$ 1,721,647</u>

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

Fiscal Year Ending September 30	Principal	Interest	Total
2015	\$ 36,935	\$ 4,375	\$ 41,310
2016	38,632	2,678	41,310
2017	38,883	-	38,883
	<u>\$ 114,450</u>	<u>\$ 7,053</u>	<u>\$ 121,503</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014	Due Within One Year
Bonds payable	\$ 1,151,000	\$ -	\$ (51,000)	\$ 1,100,000	\$ 52,000
Loans payable	149,682	-	(35,232)	114,450	36,935
Compensated absences	16,955	1,400	-	18,355	2,753
	<u>\$ 1,317,637</u>	<u>\$ 1,400</u>	<u>\$ (86,232)</u>	<u>\$ 1,232,805</u>	<u>\$ 91,688</u>

NOTE 11. RETIREMENT PROGRAMS

Florida Retirement System

Most employees working in regularly established positions of the City are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapter 121 and 122, *Florida Statutes*, Chapter 112, Part IV, *Florida Statutes*, Chapter 238, *Florida Statutes*, and Florida Retirement System Rules, Chapter 605, Florida Administrative Code, wherein eligibility,

contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

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

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

The State of Florida establishes contribution rates for participating employers. Contribution rates at the end of 2013-14 fiscal year were as follows:

Class or Plan	Percent of Gross Salary (A)
Florida Retirement System, Regular	7.37%
Florida Retirement System, Special Risk	19.82%
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	12.28%
Florida Retirement System, Reemployed Retiree	(B)
Notes: (A) Employer rates include 1.20 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Public Employee Optional Retirement Program.	
(B) Contribution rates are dependent upon retirement class or plan in which reemployed.	

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

The City's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the City. The City's contributions for the fiscal years ended September 30, 2012, September 30, 2013, and September 30, 2014 totaled \$27,644, \$30,251, and \$35,435 respectively, which were equal to the required contributions for each fiscal year.

Financial statements and other supplementary information of the FRS are included in the State of Florida Comprehensive Annual Financial Report, which is available from the Florida Department of

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

NOTE 12. ECONOMIC DEPENDENCY

The State of Florida, Department of Corrections, Lake Butler Reception and Medical Center (RMC) is a major utility customer of the City. For the year ended September 30, 2014, the RMC facility accounted for approximately 62% of the City's sewer revenues and 50% of its water revenues. The City and the Florida Department of Corrections have a long-term agreement whereby the City would provide water supply for a minimum of twenty years, and waste water treatment services for a minimum of forty years, to the RMC facility.

NOTE 13. RISK MANAGEMENT

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

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

NOTE 14. CONTINGENT LIABILITIES

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

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

NOTE 15. PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended September 30, 2013, an error was made in accounting for current assets in the Proprietary Fund. This error has the effect of decreasing current assets and net position by \$31,697, and has been corrected in the current 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, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Ad Valorem taxes	\$ 73,000	\$ 64,798	\$ 64,852	\$ 54
Sales and use taxes				
Local option gas tax/alternative fuel	32,000	32,000	32,732	732
Discretionary sales tax	90,000	85,000	91,419	6,419
Franchise fees				
Electricity	117,000	123,000	132,883	9,883
Utility service taxes				
Electricity	29,752	34,603	34,851	248
Gas	4,215	4,000	3,805	(195)
Communications services tax	86,050	83,050	90,082	7,032
Total taxes	432,017	426,451	450,624	24,173
Licenses and permits				
City occupational licenses	6,000	8,000	13,465	5,465
Other licenses and permits	4,000	4,160	3,031	(1,129)
Total licenses and permits	10,000	12,160	16,496	4,336
Intergovernmental				
Federal payments in lieu of taxes				
Union County Housing Authority	3,500	3,294	2,168	1,126
State shared revenues				
General government				
State revenue sharing	57,525	57,525	57,916	391
Municipal gas tax	21,500	20,500	21,010	510
Mobile home licenses	1,200	1,000	887	(113)
Alcoholic beverage licenses	500	471	482	11
Local government half-cent sales tax	40,000	39,500	38,986	(514)
Total intergovernmental	124,225	122,290	121,449	(841)
Charges for services				
Transportation				
Street maintenance	68,170	68,356	68,356	-
Total charges for services	68,170	68,356	68,356	-
Miscellaneous				
Interest	500	500	597	97
Rents and royalties				
Community Center	17,000	16,500	17,276	776
Other rentals	4,000	7,000	7,550	550
Election qualifying fees	-	697	697	-
Contributions	1,200	1,675	985	(690)
Public safety	250	425	185	(240)
Other	9,120	16,628	16,581	(47)
Total miscellaneous	32,070	43,425	43,871	446
Total revenues	666,482	672,682	700,796	28,114

(continued)

CITY OF LAKE BUTLER, FLORIDA (KIM)
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Legislative				
Personnel services	\$ 70,843	\$ 50,500	\$ 54,743	(4,243)
Operating expenses	14,100	13,331	15,241	(1,910)
Total legislative	<u>84,943</u>	<u>63,831</u>	<u>69,984</u>	<u>(6,153)</u>
Executive				
Personnel services	110,101	112,275	116,403	(4,128)
Operating expenses	8,830	8,020	10,377	(2,357)
Total executive	<u>118,931</u>	<u>120,295</u>	<u>126,780</u>	<u>(6,485)</u>
Financial and administrative				
Personnel services	80,182	86,482	79,772	6,710
Operating expenses	53,850	46,255	47,586	(1,331)
Capital outlay	1,000	-	-	-
Total financial and administrative	<u>135,032</u>	<u>132,737</u>	<u>127,358</u>	<u>5,378</u>
Legal counsel				
Operating expenses	19,200	19,193	18,403	790
	<u>19,200</u>	<u>19,193</u>	<u>18,403</u>	<u>790</u>
Other general government				
Personnel services	15,347	15,347	15,534	(187)
Operating expenses	15,150	15,000	13,340	1,660
Total other general government	<u>30,497</u>	<u>30,347</u>	<u>28,874</u>	<u>1,473</u>
Total general government	<u>388,603</u>	<u>366,403</u>	<u>371,399</u>	<u>(4,810)</u>
Public safety				
Law enforcement				
Operating expenses	50,000	50,000	50,000	-
Total law enforcement	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Fire control				
Personnel services	13,399	15,399	15,731	(332)
Operating expenses	26,737	28,626	35,123	(6,497)
Capital outlay	-	1,205	1,205	-
Total fire control	<u>40,136</u>	<u>45,230</u>	<u>52,059</u>	<u>(6,829)</u>
Other public safety				
Personnel services	18,414	17,477	16,447	1,030
Total public safety	<u>108,550</u>	<u>112,707</u>	<u>118,506</u>	<u>(5,800)</u>
Physical environment				
Operating expense	750	2,350	2,244	-
Total physical environment	<u>750</u>	<u>2,350</u>	<u>2,244</u>	<u>-</u>
Transportation				
Roads and streets				
Personnel services	77,024	77,607	82,808	(5,201)
Operating expenses	104,466	101,461	104,526	(3,065)
Total transportation	<u>181,490</u>	<u>179,068</u>	<u>187,334</u>	<u>(8,265)</u>

(continued)

CITY OF LAKE BUTLER, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Human services				
Animal control				
Personnel services	4,100	4,190	3,903	287
Operating expenses	4,757	6,728	5,876	852
Capital outlay	-			-
Mosquito control				
Operating expenses	3,300	2,700	267	2,433
Total human services	<u>12,157</u>	<u>13,618</u>	<u>10,046</u>	<u>3,572</u>
Culture/recreation				
Parks and recreation				
Personnel services	39,345	40,889	38,113	2,776
Operating expenses	73,917	72,881	91,119	(18,238)
Capital outlay	4,000	6,061	2,261	3,800
Grants and aids	6,500	6,950	3,205	3,745
Total culture and recreation	<u>123,762</u>	<u>126,781</u>	<u>134,698</u>	<u>(7,918)</u>
Total expenditures	<u>815,312</u>	<u>800,927</u>	<u>824,227</u>	<u>(23,221)</u>
Excess of revenues over (under) expenditures	(148,830)	(128,245)	(123,431)	4,814
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	170,000	143,433	152,427	8,994
	<u>170,000</u>	<u>143,433</u>	<u>152,427</u>	<u>8,994</u>
Net change in fund balance	21,170	15,188	28,996	13,808
Fund balance at beginning of year	564,260	564,260	564,260	-
Fund balance at end of year	<u>\$ 585,430</u>	<u>\$ 579,448</u>	<u>\$ 593,256</u>	<u>13,808</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

**DOWNTOWN REDEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Advalorem taxes	\$ 50,650	\$ 50,650	\$ 51,429	\$ 779
Intergovernmental	-	-	421	421
Miscellaneous				
Interest	110	25	32	7
Total revenues	<u>50,760</u>	<u>50,675</u>	<u>51,882</u>	<u>1,207</u>
EXPENDITURES				
Economic environment				
Operating expenses	9,175	9,175	175	9,000
Culture/recreation				
Capital outlay	201,474	146,063	151,379	(5,316)
	<u>210,649</u>	<u>155,238</u>	<u>151,554</u>	<u>3,684</u>
Excess of revenues over (under) expenditures	<u>(159,889)</u>	<u>(104,563)</u>	<u>(99,672)</u>	<u>4,891</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	70,738	15,412	10,519	(4,893)
Interfund transfers out	(30,000)	(30,000)	(30,000)	-
	<u>40,738</u>	<u>(14,588)</u>	<u>(19,481)</u>	<u>(4,893)</u>
Net change in fund balances	<u>(119,151)</u>	<u>(119,151)</u>	<u>(119,153)</u>	<u>(2)</u>
Fund balance at beginning of year	<u>119,151</u>	<u>119,151</u>	<u>119,169</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16</u>	<u>\$ (2)</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

**STREET IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous				
Interest	\$ 225	\$ 325	\$ 378	\$ (53)
Total revenues	225	325	378	(53)
Excess of revenues over (under)				
expenditures	225	325	378	53
OTHER FINANCING SOURCES (USES)				
Interfund	225	325	-	(325)
Net change	225	325	378	53
Fund balance at beginning of				
year	377,618	377,618	377,618	-
Fund balance	\$ 377,843	\$ 377,943	\$ 377,996	\$ 53

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

**COMMUNITY DEVELOPMENT BLOCK GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 55,017	\$ 55,017	\$ 55,411	\$ 394
Total revenues	<u>55,017</u>	<u>55,017</u>	<u>55,411</u>	<u>394</u>
EXPENDITURES				
Capital outlay				
Public safety	5,421	5,421	5,815	(394)
Culture/recreation	49,596	49,596	49,596	-
	<u>55,017</u>	<u>55,017</u>	<u>55,411</u>	<u>(394)</u>
Net change in fund balances	-	-	-	-
Fund balance at beginning of year	100	100	100	-
Fund balance at end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014**

I. Stewardship, Compliance, and Accountability

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

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

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

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

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

1. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the City Commission may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.

5. **Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.**

COMPLIANCE SECTION

CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2014

<u>Grantor and Program Titles</u>	<u>CFDA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Received in Prior Years</u>	<u>Revenue Received or Receivable</u>	<u>Expenditures</u>
Federal Awards						
Non-major Programs						
<i>U.S. Department of Housing and Urban Development</i>						
<i>Passed through the Florida Department of Economic Opportunity</i>						
Small Cities Community Development						
Bock Grant (CDBG) Program	14.228	11DB-C5-03-73-02-N25	\$ 650,000	\$ 594,589	\$ 55,411	\$ 55,411
			<u>\$ 650,000</u>	<u>\$ 594,589</u>	<u>\$ 55,411</u>	<u>\$ 55,411</u>

See Notes to Schedule of Expenditures of Federal Awards.

CITY OF LAKE BUTLER, FLORIDA

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting

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

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

C. Grant Awards

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

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, 2014, and the related notes to the financial statements, which collectively comprise the City of Lake Butler, Florida's basic financial statements, and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

2009-1

Financial Statement Preparation (third succeeding year)

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

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

MANAGEMENT'S RESPONSE

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

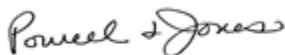
At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.

Compliance and Other Matters

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

Purpose of this Report

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



POWELL & JONES
Certified Public Accountants
March 31, 2015

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, 2014, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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

PRIOR YEAR FINDINGS

There were no reportable findings in the prior year.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of Lake Butler, for the fiscal year ended September 30, 2014.

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

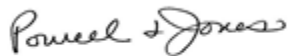
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the City of Lake Butler, Florida, for the year ended September 30, 2014, as provided in the audit requirements for USDA-Rural Development borrowers.

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

CONCLUSION

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



POWELL & JONES
Certified Public Accountants
March 31, 2015

INDEPENDENT ACCOUNTANT'S REPORT

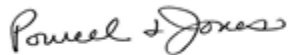
To the Mayor and
Members of the City Commission
City of Lake Butler, Florida

We have examined the City of Lake Butler, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2014. 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, 2014.

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



POWELL & JONES
Certified Public Accountants
March 31, 2015

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, 2014. 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 are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 15, 2015.

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

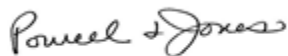
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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
Certified Public Accountants
March 15, 2015