

CITY OF LAKE BUTLER, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

Draft

**CITY OF LAKE BUTLER, FLORIDA
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SEPTEMBER 30, 2023**

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**CITY OF LAKE BUTLER, FLORIDA
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2023**

CITY COMMISSION

MELISSA HENDRIX
Mayor, Seat 4

RONDOLL L. HUGGINS
Vice Mayor, Seat 2

JOE STEPHENSON
Seat 1

ANNETTE REDMAN
Seat 3

FRED SIRMONES
Seat 5

CITY OFFICIALS

KIMBERLY HAYES
City Manager

JOHN E. MAINES
City Attorney

City officials in place as of financial statement date



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Lake Butler, Florida:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Butler, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note (12) to the financial statements, certain errors resulting in overstatements and understatements of amounts previously reported as of September 30, 2022, were discovered by us and corrected by management. Accordingly, an adjustment has been made to governmental activities net position, general fund balance, water fund balance, wastewater fund balance, and solid waste fund balance. Our opinion is not modified with respect to that matter.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The schedule of expenditures of state financial assistance as required by Section 215.97, Florida Statutes, *Florida Single Audit Act*; and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information 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 August 16, 2024, on our consideration of the City'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 solely 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 the City's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
August 16, 2024

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

The City of Lake Butler's (the City) discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements which follow this discussion.

Financial and Other Highlights

- The assets and deferred outflows of the City of Lake Butler exceeded its liabilities and deferred inflows on September 30, 2023, by \$7,369,799 (net position) for an increase of 24.75% over the prior year. Of this amount \$832,339 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,462,116 in fiscal year 2023, compared to a decrease in net position of \$224,146 in fiscal year 2022. The year over year increase of \$1,237,970 is attributed primarily to an increase in Wastewater projects for fiscal year 2023, related to various new project-related asset acquisitions.
- As of September 30, 2023, the City's governmental funds reported combined ending fund balances of \$689,222. This combined fund balance amount is a decrease of \$30,081 from the prior year. Approximately 65.73% of this total amount, \$452,997, is available for spending at the City's discretion (unassigned fund balance).
- The City's notes and loans payable (consisting of revenue bonds and notes, loans from other governments, and financed purchases) increased by \$1,095,230 (80.22 percent) during the current fiscal year. The City paid down outstanding loans and notes payable in the current year totaling \$46,080 but incurred additional debt of \$751,425.

USING THIS ANNUAL REPORT

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, have a broader basis for comparison (year to year or government to government) and enhances the City's overall accountability.

This discussion and analysis is intended to serve as an introduction to the City of Lake Butler's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner like a private-sector business. The focus is on activities, rather than fund types.

The Statement of Net Position presents information on all the City's assets, deferred inflows, liabilities and deferred outflows, with the difference between the two reported as net position. The focus of the Statement of Net Position (unrestricted net position) is designed to be like bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Government-Wide Financial Statements, (continued)

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through users' fees and charges (business-type activities). The governmental activities of the City include general government, public safety, roads, streets and parks and recreation. The business-type activity of the City consists of the public utilities system.

The government-wide financial statements include only the City of Lake Butler, which is known as the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statement presentations more familiar.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spending resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two (2) major individual governmental funds and one (1) nonmajor individual governmental fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the three funds.

The City adopts an annual appropriated budget for its General Fund, as well as the Street Fund and Community Redevelopment Agency Fund. Budgetary comparison statements have been provided for the major funds to demonstrate compliance or noncompliance with the budget.

Proprietary Funds

The City maintains three (3) proprietary fund types. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and garbage utility systems. Historically, the activities of the different utility services have been accounted for in these three proprietary funds.

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following this discussion.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets (and deferred outflows of resources) exceeded liabilities (and deferred inflows of resources) by \$2,919,808, a decrease of \$956,927 over the prior year. See Note 13 to the financial statements for disclosure of restatement of fund balance and net position.

The following table reflects the condensed Statement of Net Position for the current year as compared to the prior year. For more detailed information see the Statement of Net Position.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	761,162	755,913	1,142,332	1,096,524	1,903,494	1,852,437
Capital assets	1,305,929	1,391,727	8,005,856	3,063,995	9,311,785	4,455,722
Total assets	2,067,091	2,147,640	9,148,188	4,160,519	11,215,279	6,308,159
Deferred Outflows of Resources	111,259	58,135	139,993	116,869	251,252	175,004
Liabilities:						
Long-term liabilities	389,741	401,056	3,020,203	2,081,524	3,409,944	2,482,580
Other liabilities	71,940	38,314	567,403	301,192	639,343	339,506
Total liabilities	461,681	439,370	3,587,606	2,382,716	4,049,287	2,822,086
Deferred Inflows of Resources	21,009	177,363	26,436	206,315	47,445	383,678
Net Position:						
Net Investment in Capital Assets	1,305,929	1,391,727	5,154,520	1,698,682	6,460,449	3,090,409
Restricted	0	276,631	77,011	172,755	77,011	449,386
Unrestricted	389,731	(79,316)	442,608	433,653	832,339	354,337
Total Net Position	1,695,660	1,589,042	5,674,139	2,305,090	7,369,799	3,894,132

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Net Position (continued)

Approximately 88% of the City's net position reflected above are invested in capital assets (e.g., land, buildings, improvements, and vehicles and equipment) less any related debt used to acquire those assets which are still outstanding. The City uses these assets to provide services to its 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 the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of September 30, 2023 and 2022, the City has reported positive balances in all three categories of net position: for the City as a whole, as well as for its separate governmental and business-type activities, aside from unrestricted governmental activities at September 30, 2022 where the City had a negative unrestricted balance of \$79,316. Restricted net position was \$0 as of September 30, 2023, a decrease of \$276,631 from the prior year. The decrease is due to payoff of debt with restricted funds.

Statement of Activities

The following table reflects the condensed Statement of Activities for the current year as compared to the prior year. For more detailed information see the Statement of Activities.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 143,686	\$ 105,930	\$ 1,329,076	\$ 1,358,083	\$ 1,472,762	\$ 1,464,013
Operating Grants and Contributions	261,476	-	1,748,932	1,827,691	2,010,408	1,827,691
Capital Grants and Contributions	-	-	-	-	-	-
General revenues:						
Property taxes	142,796	459,705	-	-	142,796	459,705
Other taxes	532,875	147,656	-	-	532,875	147,656
Other	17,110	276,089	20,688	64,435	37,798	340,524
Total Revenues	1,097,943	989,380	3,098,696	3,250,209	4,196,639	4,239,589
Expenses:						
General Government	352,428	533,464	-	-	352,428	533,464
Public Safety	138,332	116,187	-	-	138,332	116,187
Physical environment	1,040	-	-	-	1,040	-
Transportation	296,867	425,491	-	-	296,867	425,491
Economic environment	8,787	763	-	-	8,787	763
Culture and Recreation	235,584	330,818	-	-	235,584	330,818
Human services	-	23,939	-	-	-	23,939
Interest on long-term debt	-	-	-	36,018	-	36,018
Water	-	-	539,666	535,792	539,666	535,792
Wastewater	-	-	909,540	210,349	909,540	210,349
Solid waste	-	-	252,279	2,250,914	252,279	2,250,914
Total Expenses	1,033,038	1,430,662	1,701,485	3,033,073	2,734,523	4,463,735
Transfers	(50,000)	45,000	50,000	(45,000)	-	-
Change in Net Position	14,905	(396,282)	1,447,211	172,136	1,462,116	(224,146)
Net Position, Beginning of Year, as restated	1,680,755	1,985,324	4,226,928	2,132,954	5,907,683	4,118,278
Net Position, End of Year	\$ 1,695,660	\$ 1,589,042	\$ 5,674,139	\$ 2,305,090	\$ 7,369,799	\$ 3,894,132

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities (continued)

Governmental activities increased the City's net position by \$14,905. Also, the City's total revenues increased by \$108,563 compared to the prior fiscal year.

Business-type activities

Business-type activities increased the City's net position by \$1,447,211. It would have been more, but the City incurred multiple grant related project expenses for fiscal year 2023.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances that are useable resources. Such information is useful in assessing the City's financing requirements. Unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2023, the City's governmental funds reported combined ending fund balances of \$689,222, a decrease of \$30,081 in comparison with the prior fiscal year. Approximately 66% of this total amount \$452,997, constitutes unassigned fund balances, which are available for spending at the City's discretion. The remainder of the fund balance, \$236,225, is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been reserved for other purposes.

The General Fund is the chief operating fund of the City. At September 30, 2023, the unassigned fund balance of the General Fund was \$462,812 and the nonspendable fund balance was \$75. Total fund balance in the General Fund decreased by \$110,970 over the prior year. Although expenditures exceeded revenues by \$60,970, the General Fund was further decreased by a transfer out to the Water Fund for \$50,000, which related to overhead charges stemming from the General Fund's administrative support to the Water Fund.

The Street Fund is a nonmajor fund and is used to account for revenues and expenditures associated with the construction, improvement and maintenance of roads and streets in the City. The fund balance of the Street Fund decreased by \$40,481 during the current fiscal year. The Street's assigned fund balance at September 30, 2023, was \$236,150.

The Community Redevelopment Agency is a special revenue fund and is used to account for the receipt and expenditure of property tax revenues from the tax increment financing district to support City redevelopment in the designated community redevelopment area. At September 30, 2023, the unassigned fund balance was \$(9,815).

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

Proprietary funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, just in more detail.

Unrestricted net position of the Water, Wastewater, and Solid Waste Funds at September 30, 2023, amounted to \$(104,309), \$287,592, and \$159,312, respectively.

General Fund, Street, and CRA Budgetary Highlights

All three funds completed Fiscal Year 2023 with net change in fund balance of (\$110,970), \$(40,481), and \$13,733, respectively. There were budget amendments during the year in the General Fund decreasing overall expenditures, totaling \$71,600. There were no budget amendments to the Street Fund or the Community Redevelopment Agency Fund.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$6,460,449 (net of accumulated depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements, and machinery and equipment.

Major capital assets added during the current fiscal year included the following:

- The City purchased equipment relating to proprietary funds, in the amount of \$281,997.
- The City incurred construction costs totaling \$2,515,815 relating to business-type activities.

Capital assets for governmental activities and business-type activities consisted of the following as of September 30, 2023 and 2022:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Capital Assets Not Being Depreciated:						
Land	\$ 84,551	\$ 84,551	\$ 1,189,877	\$ 1,189,877	\$ 1,274,428	\$ 1,274,428
Construction in progress	-	-	4,665,145	118,382	4,665,145	118,382
Capital Assets Being Depreciated:						
Infrastructure	-	-	-	-	-	-
Buildings	2,962,761	2,962,761	135,000	135,000	3,097,761	3,097,761
Improvements	15,494,546	15,494,546	6,882,743	6,882,743	22,377,289	22,377,289
Machinery and equipment	284,921	271,248	888,479	721,104	1,173,400	992,352
Less: Accumulated Depreciation	<u>(17,520,850)</u>	<u>(17,437,303)</u>	<u>(5,755,388)</u>	<u>(5,664,795)</u>	<u>(23,276,238)</u>	<u>(23,102,098)</u>
Total	<u>\$ 1,305,929</u>	<u>\$ 1,375,803</u>	<u>\$ 8,005,856</u>	<u>\$ 3,382,311</u>	<u>\$ 9,311,785</u>	<u>\$ 4,758,114</u>

Additional information on the City's capital assets can be found in the Notes to the Financial Statements in this report.

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

Long-term debt

At the end of the current fiscal year, the City had a total long-term liabilities of \$3,409,944, which consisted of \$389,741 and \$3,020,203 in governmental activities and business-type activities, respectively.

A summary of long-term debt obligations of the City follows:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Compensated Absences	\$ 57	\$ 11,361	\$ 14,724	\$ 37,390	\$ 14,781	\$ 48,751
Financed Purchases	-	-	54,612	-	54,612	-
Notes Payable	-	-	2,460,543	1,365,313	2,460,543	1,365,313
Net Pension Liability	389,684	391,399	490,324	327,556	880,008	718,955
Total	\$ 389,741	\$ 402,760	\$ 3,020,203	\$ 1,730,259	\$ 3,409,944	\$ 2,133,019

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements in this report.

Economic Environment and Next Year's Budget and Rates

The State of Florida, by Constitution, does not have a state personal income tax; therefore, the State operates primarily from using sales, gasoline and corporate income taxes. Local governments primarily rely on property and a limited array of permitted taxes (sales, gasoline, utilities services, etc.) and fees (franchise fees, charges for services, etc.) to finance governmental activities. There are also a limited number of state shared revenues and recurring and non-recurring grants from both state and federal governmental agencies.

Currently Known Facts, Conditions, or Decisions

The City is anticipating entering into grant and loan agreements for various purposes in fiscal year 2024 and beyond. More significant grant or debt funded projects consist of the following:

- The City plans to replace the 50 year old Sewer Treatment Plant and sewer collection system through a grant / loan from the USDA and Florida State Revolving Fund program beginning in FY 2024. The USDA wastewater treatment facility grant is estimated at \$38 million and is being funded primarily through SRF loans and State DEP grants.
- The City of Lake Butler is currently under negotiations for Utility (Wastewater Treatment) services for the Department of Corrections for the Reception and Medical Center. The Current Rates have not been adjusted for 5 years and the Contract under consideration will have a major impact on the City's financial condition. The new contract being negotiated will be effective November 1st 2024 for next fiscal year 2024-2025.
- Grant applications were approved for water main improvements, water tank rehabilitation, and a water main upgrade.

Requests for information

This financial report is designed to provide a general overview of the City of Lake Butler's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City, 200 SW 1st Street, Lake Butler, FL 32054.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 690,708	\$ 381,338	\$ 1,072,046
Certificate of deposit	-	103,481	103,481
Receivables, net	41,472	305,948	347,420
Internal balances	(43,998)	43,998	-
Due from other governments, net	72,905	148,100	221,005
Prepaid items	75	-	75
Restricted cash	-	159,467	159,467
Capital assets:			
Capital assets, not being depreciated	84,551	5,855,022	5,939,573
Other capital assets, net of depreciation	1,221,378	2,150,834	3,372,212
Total assets	<u>\$ 2,067,091</u>	<u>\$ 9,148,188</u>	<u>\$ 11,215,279</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	\$ 111,259	\$ 139,993	\$ 251,252
Total deferred outflows	<u>\$ 111,259</u>	<u>\$ 139,993</u>	<u>\$ 251,252</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 71,940	\$ 480,631	\$ 552,571
Customer deposits	-	82,456	82,456
Unearned revenue	-	4,316	4,316
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	36,000	36,000
Capital leases payable	-	54,612	54,612
Compensated absences	9	2,209	2,218
Due in more than one year:			
Bonds and notes payable	-	2,424,543	2,424,543
Compensated absences	48	12,515	12,563
Net pension liability	389,684	490,324	880,008
Total liabilities	<u>\$ 461,681</u>	<u>\$ 3,587,606</u>	<u>\$ 4,049,287</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 21,009	\$ 26,436	\$ 47,445
Total deferred inflows of resources	<u>\$ 21,009</u>	<u>\$ 26,436</u>	<u>\$ 47,445</u>
NET POSITION			
Net investment in capital assets	\$ 1,305,929	\$ 5,154,520	\$ 6,460,449
Restricted for:			
Debt service	-	6,598	6,598
Renewal and replacement	-	70,413	70,413
Unrestricted	389,731	442,608	832,339
Total net position, as restated	<u>\$ 1,695,660</u>	<u>\$ 5,674,139</u>	<u>\$ 7,369,799</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 352,428	\$ 60,090	\$ 21,996	\$ -	\$ (270,342)	\$ -	\$ (270,342)
Public safety	138,332	7,405	-	-	(130,927)	-	(130,927)
Physical environment	1,040	2,700	-	-	1,660	-	1,660
Transportation	296,867	73,491	239,480	-	16,104	-	16,104
Economic environment	8,787	-	-	-	(8,787)	-	(8,787)
Culture and recreation	235,584	-	-	-	(235,584)	-	(235,584)
Total governmental activities	<u>1,033,038</u>	<u>143,686</u>	<u>261,476</u>	<u>-</u>	<u>(627,876)</u>	<u>-</u>	<u>(627,876)</u>
Business-type activities:							
Water	539,666	326,590	-	-	-	(213,076)	(213,076)
Wastewater	909,540	758,864	-	1,748,932	-	1,598,256	1,598,256
Solid Waste	252,279	243,622	-	-	-	(8,657)	(8,657)
Total business-type activities	<u>1,701,485</u>	<u>1,329,076</u>	<u>-</u>	<u>1,748,932</u>	<u>-</u>	<u>1,376,523</u>	<u>1,376,523</u>
Total primary government	<u>\$ 2,734,523</u>	<u>\$ 1,472,762</u>	<u>\$ 261,476</u>	<u>\$ 1,748,932</u>	<u>(627,876)</u>	<u>1,376,523</u>	<u>748,647</u>
General revenues:							
Property taxes					142,796	-	142,796
Sales taxes					224,099	-	224,099
Communications service tax					90,874	-	90,874
Public service taxes					47,041	-	47,041
Franchise fees					170,861	-	170,861
Investment earnings					401	-	401
Gain (loss) on disposition of capital assets					-	(4,339)	(4,339)
Miscellaneous revenues					16,709	25,027	41,736
Transfers					(50,000)	50,000	-
Total general revenues and transfers					<u>642,781</u>	<u>70,688</u>	<u>713,469</u>
Change in net position					14,905	1,447,211	1,462,116
Net position, beginning of year, as restated					1,680,755	4,226,928	5,907,683
Net position, ending of year					<u>\$ 1,695,660</u>	<u>\$ 5,674,139</u>	<u>\$ 7,369,799</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE BUTLER, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	<u>General</u>	<u>Special Revenue Redevelopment Fund</u>	<u>Nonmajor Street Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 453,433	\$ 1,125	\$ 236,150	\$ 690,708
Receivables, net	41,472	-	-	41,472
Due from other governments, net	72,905	-	-	72,905
Due from other funds	48,884	-	-	48,884
Prepaid items	75	-	-	75
Total assets	<u>\$ 616,769</u>	<u>\$ 1,125</u>	<u>\$ 236,150</u>	<u>\$ 854,044</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 71,940	\$ -	\$ -	\$ 71,940
Due to other funds	81,942	10,940	-	92,882
Total liabilities	<u>153,882</u>	<u>10,940</u>	<u>-</u>	<u>164,822</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	75	-	-	75
Assigned to:				
Transportation	-	-	236,150	236,150
Unassigned	462,812	(9,815)	-	452,997
Total fund balances	<u>462,887</u>	<u>(9,815)</u>	<u>236,150</u>	<u>689,222</u>
Total liabilities and fund balances	<u>\$ 616,769</u>	<u>\$ 1,125</u>	<u>\$ 236,150</u>	<u>\$ 854,044</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE BUTLER, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Fund balances - total governmental funds		\$ 689,222
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p>		
Total governmental capital assets	18,826,779	
Less: accumulated depreciation	<u>(17,520,850)</u>	1,305,929
<p>On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.</p>		
Net pension liability	(389,684)	
Deferred outflows related to pensions	111,259	
Deferred inflows related to pensions	<u>(21,009)</u>	(299,434)
<p>Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:</p>		
Compensated absences	<u>(57)</u>	(57)
Net position of governmental activities		<u><u>\$ 1,695,660</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Special Revenue</u>			Total Governmental Funds
	General	Redevelopment Fund	Street Fund	
Revenues				
Taxes	\$ 592,655	\$ 39,437	\$ -	\$ 632,092
Permits and fees	174,661	-	-	174,661
Intergovernmental	144,181	-	-	144,181
Charges for services	129,819	-	-	129,819
Investment income	-	1	125	126
Miscellaneous	17,064	-	-	17,064
Total revenues	<u>1,058,380</u>	<u>39,438</u>	<u>125</u>	<u>1,097,943</u>
Expenditures				
Current:				
General government	514,897	-	40,606	555,503
Public safety	123,960	-	-	123,960
Physical environment	1,040	-	-	1,040
Transportation	281,294	-	-	281,294
Economic environment	8,024	-	-	8,024
Culture and recreation	176,462	25,705	-	202,167
Capital outlay	13,673	-	-	13,673
Total expenditures	<u>1,119,350</u>	<u>25,705</u>	<u>40,606</u>	<u>1,185,661</u>
Excess (deficiency) of revenues over expenditures	<u>(60,970)</u>	<u>13,733</u>	<u>(40,481)</u>	<u>(87,718)</u>
Other financing sources (uses)				
Transfers out	(50,000)	-	-	(50,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balances	<u>(110,970)</u>	<u>13,733</u>	<u>(40,481)</u>	<u>(137,718)</u>
Fund balances, beginning of year, as restated	573,857	(23,548)	276,631	826,940
Fund balances, end of year	<u>\$ 462,887</u>	<u>\$ (9,815)</u>	<u>\$ 236,150</u>	<u>\$ 689,222</u>

The accompanying notes to financial statements are an integral part of this statement.

**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 YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balances - total governmental funds	\$ (137,718)
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	13,673
Depreciation expense	(83,547)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	211,193
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:	
Change in compensated absences liability	11,304
Change in net position of governmental activities	<u>\$ 14,905</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023

	Business-type Activities			
	Water	Wastewater	Solid Waste	Total
ASSETS				
Cash and cash equivalents	\$ 47,040	\$ 174,759	\$ 159,539	\$ 381,338
Certificate of deposit	-	103,481	-	103,481
Accounts receivable, net	29,607	256,508	19,833	305,948
Due from other governments, net	-	148,100	-	148,100
Due from other funds	-	61,546	20,396	81,942
Restricted cash	1,904	87,150	-	89,054
Total current assets	<u>78,551</u>	<u>831,544</u>	<u>199,768</u>	<u>1,109,863</u>
Noncurrent assets:				
Restricted cash	-	70,413	-	70,413
Capital assets:				
Land	-	1,189,877	-	1,189,877
Construction in progress	-	4,665,145	-	4,665,145
Buildings	30,000	105,000	-	135,000
Improvements	2,796,825	4,085,918	-	6,882,743
Equipment	80,184	808,295	-	888,479
Accumulated depreciation	(1,668,551)	(4,086,837)	-	(5,755,388)
Total capital assets, net	<u>1,238,458</u>	<u>6,767,398</u>	<u>-</u>	<u>8,005,856</u>
Total noncurrent assets	<u>1,238,458</u>	<u>6,837,811</u>	<u>-</u>	<u>8,076,269</u>
Total assets	<u>\$ 1,317,009</u>	<u>\$ 7,669,355</u>	<u>\$ 199,768</u>	<u>\$ 9,186,132</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	\$ 59,086	\$ 73,505	\$ 7,402	\$ 139,993
Total deferred outflows of resources	<u>\$ 59,086</u>	<u>\$ 73,505</u>	<u>\$ 7,402</u>	<u>\$ 139,993</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 3,098	\$ 460,328	\$ 17,205	\$ 480,631
Deposits	-	82,456	-	82,456
Unearned revenue	1,681	-	2,635	4,316
Due to other funds	10,244	27,700	-	37,944
Compensated absences	1,035	1,070	104	2,209
Current portion of capital lease obligations	-	54,612	-	54,612
Payable from restricted assets:				
Current maturities on long-term debt	-	36,000	-	36,000
Total current liabilities	<u>16,058</u>	<u>662,166</u>	<u>19,944</u>	<u>698,168</u>
Noncurrent liabilities:				
Bonds and notes payable, net	231,717	2,192,826	-	2,424,543
Compensated absences	5,863	6,060	592	12,515
Net pension liability	206,950	257,450	25,924	490,324
Total noncurrent liabilities	<u>444,530</u>	<u>2,456,336</u>	<u>26,516</u>	<u>2,927,382</u>
Total liabilities	<u>\$ 460,588</u>	<u>\$ 3,118,502</u>	<u>\$ 46,460</u>	<u>\$ 3,625,550</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	\$ 11,158	\$ 13,880	\$ 1,398	\$ 26,436
Total deferred inflows of resources	<u>\$ 11,158</u>	<u>\$ 13,880</u>	<u>\$ 1,398</u>	<u>\$ 26,436</u>
NET POSITION				
Net investment in capital assets	\$ 1,006,741	\$ 4,147,779	\$ -	\$ 5,154,520
Restricted for debt service	1,904	4,694	-	6,598
Restricted for renewal and replacement	-	70,413	-	70,413
Unrestricted	(104,296)	387,592	159,312	442,608
Total net position, as restated	<u>\$ 904,349</u>	<u>\$ 4,610,478</u>	<u>\$ 159,312</u>	<u>\$ 5,674,139</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities			Total
	Water	Wastewater	Solid Waste	
Operating revenues				
Charges for services	\$ 326,590	\$ 758,864	\$ 243,622	\$ 1,329,076
Other revenues	9,855	15,172	-	25,027
Total operating revenues	<u>336,445</u>	<u>774,036</u>	<u>243,622</u>	<u>1,354,103</u>
Operating expenses				
Personal services	319,105	354,311	48,129	721,545
Operating expenses	158,889	401,771	204,150	764,810
Depreciation	56,003	120,373	-	176,376
Total operating expenses	<u>533,997</u>	<u>876,455</u>	<u>252,279</u>	<u>1,662,731</u>
Operating income (loss)	<u>(197,552)</u>	<u>(102,419)</u>	<u>(8,657)</u>	<u>(308,628)</u>
Nonoperating revenues (expenses)				
Gain (loss) on disposition of capital assets	-	(4,339)	-	(4,339)
Interest expense	(5,669)	(33,085)	-	(38,754)
Total nonoperating revenues (expenses)	<u>(5,669)</u>	<u>(37,424)</u>	<u>-</u>	<u>(43,093)</u>
Income (loss) before contributions and transfers	<u>(203,221)</u>	<u>(139,843)</u>	<u>(8,657)</u>	<u>(351,721)</u>
Capital grants	-	1,748,932	-	1,748,932
Transfers in	50,000	-	-	50,000
Change in net position	<u>(153,221)</u>	<u>1,609,089</u>	<u>(8,657)</u>	<u>1,447,211</u>
Net position, beginning of year, as restated	1,057,570	3,001,389	167,969	4,226,928
Net position, end of year	<u>\$ 904,349</u>	<u>\$ 4,610,478</u>	<u>\$ 159,312</u>	<u>\$ 5,674,139</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Business-type Activities			
	Water	Wastewater	Solid Waste	Total
Cash flows from operating activities				
Cash received from customers	\$ 370,409	\$ 431,855	\$ 252,252	\$ 1,054,516
Cash paid to employees	(276,760)	(288,964)	(41,359)	(607,083)
Cash paid to suppliers	(160,087)	(406,645)	(187,088)	(753,820)
Net cash provided by (used in) operating activities	<u>(66,438)</u>	<u>(263,754)</u>	<u>23,805</u>	<u>(306,387)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	50,000	-	-	50,000
Interfund loans	3,320	66,545	7,861	77,726
Net cash provided by (used in) noncapital financing activities	<u>53,320</u>	<u>66,545</u>	<u>7,861</u>	<u>127,726</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	(2,461,631)	-	(2,461,631)
Capital grants	-	1,748,932	-	1,748,932
Proceeds from sale of capital assets	-	23,677	-	23,677
Principal payments of long-term debt	(10,296)	(473,322)	-	(483,618)
Proceeds from issuance of long-term debt	-	1,188,963	-	1,188,963
Interest paid	(5,669)	(34,188)	-	(39,857)
Net cash provided by (used in) capital and related financing activities	<u>(15,965)</u>	<u>(7,569)</u>	<u>-</u>	<u>(23,534)</u>
Net change in cash and cash equivalents	<u>(29,083)</u>	<u>(204,778)</u>	<u>31,666</u>	<u>(202,195)</u>
Cash and cash equivalents, beginning of year	78,027	537,100	127,873	743,000
Cash and cash equivalents, end of year	<u>\$ 48,944</u>	<u>\$ 332,322</u>	<u>\$ 159,539</u>	<u>\$ 540,805</u>
Cash and cash equivalents classified as:				
Unrestricted	\$ 47,040	\$ 174,759	\$ 159,539	\$ 381,338
Restricted	1,904	157,563	-	159,467
Total cash and cash equivalents	<u>\$ 48,944</u>	<u>\$ 332,322</u>	<u>\$ 159,539</u>	<u>\$ 540,805</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (197,552)	\$ (102,419)	\$ (8,657)	\$ (308,628)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	56,003	120,373	-	176,376
Changes in assets and liabilities:				
Accounts receivable	32,283	(196,910)	5,995	(158,632)
Due from other governments	-	(148,100)	-	(148,100)
Accounts payable and accrued liabilities	(1,198)	(4,874)	17,062	10,990
Deposits	-	2,829	-	2,829
Unearned revenue	1,681	-	2,635	4,316
Compensated absences	(9,166)	(13,552)	52	(22,666)
Net pension liability	51,511	78,899	6,718	137,128
Net cash provided by (used in) operating activities	<u>\$ (66,438)</u>	<u>\$ (263,754)</u>	<u>\$ 23,805</u>	<u>\$ (306,387)</u>
Non-cash investing, capital, and financing activities:				
Payables related to capital asset acquisition	\$ -	\$ 336,181	\$ -	\$ 336,181

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:**

The financial statements of the City of Lake Butler, Florida (the City), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles and the City has adopted the GASB Codification. The following is a summary of the City's significant accounting policies:

(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.

(b) **Blended component units**—The financial activity of The City of Lake Butler Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established for the fostering of economic development within the downtown district under City Ordinance. The governing board in the City Commission which also establishes the Agency's annual budget. The Agency is presented as a special revenue fund type.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Thus, blended component assets are appropriately presented as funds of the primary government.

(c) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the City are organized on the basis of funds, each of which is considered 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 balance, revenues, and expenditures. Government 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.

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants, other intergovernmental revenues, charges for services, licenses 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 and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, certain expenditures relating to future periods, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund—The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

Downtown Redevelopment Fund—This fund is used to account for tax increment and other revenues associated with the City's Community Redevelopment Agency and the expenditures of these funds in the redevelopment district.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

The City reports the following major proprietary funds:

Water Fund—The Water Fund is used to account for the revenues, expenses, and related activities associated with the City’s operated water services.

Wastewater Fund— The Wastewater Fund is used to account for the revenues, expenses, and related activities associated with the City’s sewer services.

Solid Waste Fund— The Solid Waste Fund is used to account for the revenues, expenses, and related activities associated with the City’s solid waste disposal service.

Additionally, the City reports the following nonmajor governmental funds:

Street Improvement Fund—This fund is used to account for expenditures associated with the City’s street paving program.

As a general rule, the effect of the City’s interfund activity has been eliminated from the government-wide financial statements, though interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, interest revenue, and other miscellaneous revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(e) **Budgets and budgetary accounting**— Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal yearend. The appropriated budget is prepared by fund, function, and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

1. For the year ended September 30, 2023, total expenditures in the general fund exceeded appropriations by \$138,150.
2. For the year ended September 30, 2023, total expenditures in the redevelopment fund exceeded appropriations by \$205.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Deposits and investments**—The City’s cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

The City's investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in certificates of deposit, money market funds, obligations issued by the U.S. or obligations guaranteed as to principal and interest by the U.S., repurchase agreements collateralized by U.S. securities, and the SBA.

(g) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 with an initial life of two or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	40 years
Machinery and equipment	5 – 10 years
Infrastructure	20 – 40 years

(h) **Compensated absences**— It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vested or accumulated vacation leave is recorded as an expense and liability of the appropriate fund as the benefits accrue to employees. No liability is recorded for the non-vesting accumulating right to receive sick pay benefits; however, a liability is recognized for that portion estimated to be paid at separation.

The enterprise funds report 100% of compensated absence liability in both the government-wide and the proprietary fund statements, because it is accrued when incurred. The General Fund reports 100% of the amount due in the government-wide statements because it is accrued when incurred, but only the amount the City estimates to be due and payable as of the balance sheet date is recorded as a liability in the governmental fund statements. The City estimates 15% of compensated absences will become due and payable within one year.

(i) **Long-term obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Deferred outflows/inflows of resources**— In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only items in this category consisted of deferred amounts related to pension, as discussed further in Note (11).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only items in this category consisted of deferred inflows of resources related to pensions, as discussed further in Note (11).

(k) **Impact fees**—No authorized impact fee was in effect for fiscal year 2023.

(l) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – amounts not available to be spent or not in spendable form, such as inventory and prepaid items.

Restricted – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes based on actions taken by the Board City Commission through ordinance.

Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by City Commission or by an official or body which the City Commission delegates authority.

Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The fund balance policy adopted by the City Commission establishes expectations with respect to several aspects of managing and utilizing fund balances:

3. The City shall maintain a general fund balance of no less than three months of regular general fund operating expenditures, or 25%.
4. If the general fund balance falls below the minimum amount, then the City will budget to replenish the fund balance over a two-year period.

(m) **Fund balance flow assumption**—When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City's policy to use committed resources first, then assigned, and then unassigned, as needed.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **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 either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported 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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(o) **Inventories and prepaid items**— All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements

(p) **Property taxes**— Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

(q) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**— Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(3) Deposits and Investments:

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All of the bank balance is covered by Federal depository insurance or by collateral held by the City's custodial banks, which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

The City had one certificate of deposit as of September 30, 2023, consisting of \$103,481 in the Wastewater Fund, which matures in February 2024.

The investment policy is designed to address the following risk factors:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The City's investment policy provides for this risk by requiring a maximum maturity of one year with respect to certificates of deposit and 5 years for securities.

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to fulfill its obligations. The City's portfolio is held entirely with public depositories.

The City invests only in certificate of deposits and local government investment pools with the highest credit quality ratings.

Concentration of Credit Risk: Concentration risk refers to the risk of loss resulting from over-exposure to a specific security or asset class. The City's investment policy addresses concentration risk by requiring maximum allocations to specific investment sectors and issuers.

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts.

**CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(4) Accounts Receivable:

The City's receivables consisted of the following at September 30, 2023:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund	\$ 41,472	\$ -	\$ 41,472
Business-Type Activities:			
Water Fund	32,880	(3,273)	29,607
Wastewater Fund	260,668	(4,160)	256,508
Solid Waste Fund	22,003	(2,170)	19,833
Totals – Business-Type Activities	<u>315,551</u>	<u>(9,603)</u>	<u>305,948</u>
Totals	<u>\$ 357,023</u>	<u>\$ (9,603)</u>	<u>\$ 347,420</u>

In addition to accounts receivable, the City also recorded \$221,005 in due from other governments at September 30, 2023.

(5) Interfund Balances and Transfers:

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. At September 30, 2023, individual fund balances to and from other funds for the primary government were comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund	\$ 48,884	\$ 81,942
Redevelopment Fund		10,940
Business-Type Activities:		
Water Fund	-	10,244
Wastewater Fund	61,546	27,700
Solid Waste Fund	20,396	-
Totals – All Funds	<u>\$ 130,826</u>	<u>\$ 130,826</u>

For the year ended September 30, 2023, the General Fund transferred \$50,000 to the Water Fund for capital purchases.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

Governmental activities:	Balance 09/30/22	Increases	Decreases	Balance 09/30/23
Capital assets not being depreciated:				
Land	\$ 84,551	\$ -	\$ -	\$ 84,551
Construction in progress	-	-	-	-
Total assets not being depreciated	<u>84,551</u>	<u>-</u>	<u>-</u>	<u>84,551</u>
Capital assets being depreciated:				
Buildings	2,962,761	-	-	2,962,761
Improvements	15,494,546	-	-	15,494,546
Equipment	271,248	13,673	-	284,921
Total assets being depreciated	18,728,555	13,673	-	18,742,228
Less: accumulated depreciation	(17,437,303)	(83,547)	-	(17,520,850)
Total capital assets being depreciated, net	1,291,252	(69,874)	-	1,221,378
Governmental activities capital assets, net	<u>\$ 1,375,803</u>	<u>\$ (69,874)</u>	<u>\$ -</u>	<u>\$ 1,305,929</u>
Business-type activities:				
	Balance 09/30/22	Increases	Decreases	Balance 09/30/23
Capital assets not being depreciated:				
Land	\$ 1,189,877	\$ -	\$ -	\$ 1,189,877
Construction in progress	2,149,330	2,515,815	-	4,665,145
Total assets not being depreciated	<u>3,339,207</u>	<u>2,515,815</u>	<u>-</u>	<u>5,855,022</u>
Capital assets being depreciated:				
Buildings	135,000	-	-	135,000
Improvements	6,882,743	-	-	6,882,743
Equipment	721,104	281,997	(114,622)	888,479
Total assets being depreciated	7,738,847	281,997	(114,622)	7,906,222
Less: accumulated depreciation	(5,664,795)	(176,376)	85,783	(5,755,388)
Total capital assets being depreciated, net	2,074,052	105,621	(28,839)	2,150,834
Business-type activities capital assets, net	<u>\$ 5,413,259</u>	<u>\$ 2,621,436</u>	<u>\$ (28,839)</u>	<u>\$ 8,005,856</u>

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	\$	19,422
Public safety		14,372
Transportation		15,573
Culture and recreation		33,417
Economic environment		763
Total depreciation expense - governmental activities	\$	83,547
Business-type activities:		
Water	\$	56,003
Sewer		120,373
Total depreciation expense - business-type activities	\$	176,376

(7) **Long-Term Liabilities:**

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 11,361	\$ 13,372	\$ (24,676)	\$ 57	\$ 9
Total long-term liabilities	\$ 11,361	\$ 13,372	\$ (24,676)	\$ 57	\$ 9
Business-type activities:					
Revenue bonds	\$ 712,000	\$ -	\$ (33,000)	\$ 679,000	\$ 36,000
Loans from other governments	1,097,810	694,029	(10,296)	1,781,543	1,136,019
Note payable	-	57,396	(2,784)	54,612	54,612
Compensated absences	37,390	37,864	(60,530)	14,724	2,209
Total long-term liabilities	\$ 1,402,703	\$ 1,389,595	\$ (106,610)	\$ 2,529,879	\$ 1,228,840

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(7) **Long-Term Liabilities:** (Continued)

Bonds payable in the City’s business-type activities at September 30, 2023, were comprised of the following obligations:

Water and Sewer Revenue Bond, Series 1998: Issued on September 1, 1998 in the amount of \$1,200,000 to finance a part of the cost of acquiring, erecting and constructing extensions and improvements to the combined municipal water and sewer system. Serial bond with interest rate of 4.50% payable annually on September 1, due in annual principal installments from \$13,000 to \$62,000 from September 1, 2000 to September 1, 2037. Secured by a lien upon and a pledge of the gross revenues to be derived from the operation of the facilities and certain municipal excise taxes.

Annual debt service requirements to maturity for the City’s business-type activities bonds, and notes payable, are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Revenue Bonds and Notes</u>		
	<u>Principal</u>	<u>Interest</u>	
2024	\$ 36,000	\$ 30,555	\$ 66,555
2025	38,000	28,935	66,935
2026	39,000	27,225	66,225
2027	41,000	25,470	66,470
2028	43,000	23,625	66,625
2029-2033	245,000	87,300	332,300
2034-2038	237,000	27,135	264,135
	\$ 679,000	\$ 250,245	\$ 929,245

Governmental loans in the City’s business-type activities at September 30, 2023, were comprised of the following obligations:

State Revolving Fund Loan (DW630110): There is also a pre-construction SRF loan also originally approved in 2018 from the Florida Department of Environmental Protection for \$103,400. The proceeds were used for engineering studies related to the wastewater treatment plant. The loan is collateralized by a subordinate lien on net revenues of the sewer utility fund.

State Revolving Fund Loan (DW630111): During the year, the City was approved by the Florida Department of Environmental Protection for \$202,740 for drinking water construction projects. The loan is repayable in 60 semi-annual payments of \$3,912 at an interest rate of .85%.

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

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(7) **Long-Term Liabilities:** (Continued)

Annual debt service requirements to maturity for the City’s business-type activities bonds, and notes payable, are as follows:

Year Ending September 30,	Governmental Loans		Total
	Principal	Interest	
2024	\$ 1,129,060	\$ 4,942	\$ 1,134,002
2025	31,735	4,683	36,418
2026	31,998	4,420	36,418
2027	32,262	4,156	36,418
2028	32,531	3,887	36,418
2029-2033	148,621	15,700	164,321
2034-2038	142,454	10,766	153,220
2039-2043	147,338	5,882	153,220
2044-2048	55,530	1,934	57,464
2048-2051	23,055	345	23,400
	<u>\$ 1,774,584</u>	<u>\$ 56,715</u>	<u>\$ 1,831,299</u>

(8) **Note Payable:**

The City has entered into a note payable with a financial institution for a tractor, collateralized by two certificates of deposit totaling \$103,481. The imputed interest rate on the lease is 3.91%. Future minimum note payable payments are as follows:

Year Ending September 30,	Business-type Activities		Total
	Note Payable		
	Principal	Interest	
2024	\$ 54,612	\$ 1,068	\$ 55,680
	<u>\$ 54,612</u>	<u>\$ 1,068</u>	<u>\$ 55,680</u>

Subsequent to September 30, 2023, the City refinanced for 28 months at a 4% rate.

(9) **Contingencies and Uncertainties:**

The City is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the City cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the City.

**CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(10) 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; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

(11) Employees' Retirement Plans:

Florida Retirement System and Health Insurance Subsidy

Plan Description and Administration

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined public employee retirement system which covers all general employees hired before January 1, 1996, and all firefighters, regardless of date of hire. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$7.50. The minimum payment is \$45 and the maximum payment is \$225 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(11) **Employees' Retirement Plans:** (Continued)

average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

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 an FRS employer. An employee may participate in DROP for a period not to exceed 96 months after electing to participate, except that certain instructional personnel may participate for up to 120 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Annual Comprehensive Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

**CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(11) **Employees' Retirement Plans:** (Continued)

Contributions

The entity participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2023, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2023</u>	<u>After June 30, 2023</u>
Regular Class	11.91%	13.57%
Senior Management	31.57%	34.52%
Special Risk	27.83%	32.67%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll through June 30, 2023, and 2.00% thereafter, which are included in the above rates.

For the plan year ended June 30, 2023, actual contributions made for employees participating in FRS and HIS were as follows:

City Contributions – FRS	\$ 73,422
City Contributions – HIS	11,260
Employee Contributions – FRS	20,350

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2023, the City reported a liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 608,161
HIS	271,847
Total	<u>\$ 880,008</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The entity's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2023 and June 30, 2022, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2023</u>	<u>2022</u>
FRS	0.001526246%	0.001447715%
HIS	0.0017111741%	0.001702193%

**CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(11) **Employees' Retirement Plans:** (Continued)

For the year ended June 30, 2023, pension expense was recognized related to the FRS and HIS plans as follows:

Plan	Pension Expense
FRS	\$ 138,655
HIS	104,235
Total	\$ 242,890

Deferred outflows/inflows related to pensions:

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,101	\$ -	\$ 3,980	\$ (638)
Changes of assumptions	39,645	-	7,147	(23,556)
Net difference between projected and actual investment earnings	25,398	-	140	-
Change in proportionate share	62,241	(14,085)	25,546	(9,166)
Contributions subsequent to measurement date	26,064	-	3,990	-
Total	\$ 210,449	\$ (14,085)	\$ 40,803	\$ (33,360)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	FRS	HIS	Total
2024	\$ 26,719	\$ 339	\$ 27,058
2025	5,145	1,621	6,766
2026	116,357	968	117,325
2027	18,100	614	18,714
2028	3,979	44	4,023
Thereafter	-	(133)	(133)
	\$ 170,300	\$ 3,453	\$ 173,753

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

**CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(11) **Employees' Retirement Plans:** (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate is consistent with the prior year rate of 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.65% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.54%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2023, the FRS Actuarial Assumptions Conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.9%
Fixed income	19.8%	4.5%
Global equities	54.0%	8.7%
Real estate	10.3%	7.6%
Private equity	11.1%	11.9%
Strategic investments	3.8%	6.3%
Total	<u>100.0%</u>	

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(11) **Employees' Retirement Plans:** (Continued)

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the City calculated using the current discount rates, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.70%	\$ 1,038,863	\$ 608,161	\$ 247,827
HIS	3.65%	310,135	271,847	240,109

(12) **Restatement of Fund Balance and Net Position:**

The impact of several restatements made during the year ended September 30, 2023 on the governmental activities and business-type activities beginning net position at September 30, 2023, are as follows:

(a) **Governmental Activities:**

	<u>General Fund</u>	<u>Governmental Activities</u>
Net position/fund balance – September 30, 2022, originally reported	\$ 466,220	\$ 1,589,042
Add: State revenue adjustments	107,637	107,637
Add: Accumulated depreciation adjustment	-	30,914
Less: Capital asset adjustment	-	(46,838)
Net position/fund balance– September 30, 2022, as restated	<u>\$ 573,857</u>	<u>\$ 1,680,755</u>

(b) **Business-type Activities:**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Business-type Activities</u>
Net position – September 30, 2022, originally reported	\$ 959,530	\$ 1,183,572	\$ 161,988	\$ 2,305,090
Add: Unbilled receivable adjustment	8,690	40,223	5,981	54,894
Less: Grant receivable adjustment	-	37,000	-	37,000
Add: Accumulated depreciation adjustment	89,350	228,143	-	317,493
Less: Long term debt adjustments	-	444,497	-	444,497
Add: CIP adjustment	-	2,030,948	-	
Net position – September 30, 2022, as restated	<u>\$ 1,057,570</u>	<u>\$ 3,001,389</u>	<u>\$ 167,969</u>	<u>\$ 2,195,980</u>

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(13) Deficit Fund Balance:

At September 30, 2023, the Redevelopment Fund reported a fund balance deficit of \$(9,815). This cumulative deficit was the result of an ongoing deficit continuing from the prior year. Although revenues exceeded expenses by \$13,733, it was not enough to offset the existing deficit beginning balance of \$(23,548). In the fiscal year 2024 budget, the City has a budget surplus of \$30,600 for the subsequent year, which should resolve the year end deficit.

(14) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends the existing guidance related to the calculation and disclosures surrounding the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.
- (b) GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The objective of GASB 102 is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The effective date for implementation is fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- (c) GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

REQUIRED SUPPLEMENTARY INFORMATION

Draft

CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 464,000	\$ 531,500	\$ 592,655	\$ 61,155
Permits and fees	142,000	161,500	174,661	13,161
Intergovernmental	107,300	131,400	144,181	12,781
Charges for services	144,000	136,600	129,819	(6,781)
Fines and forfeitures	-	-	-	-
Investment income	300	-	-	-
Miscellaneous	-	17,800	17,064	(736)
Total revenues	<u>857,600</u>	<u>978,800</u>	<u>1,058,380</u>	<u>79,580</u>
Expenditures				
Current:				
General government:				
City Commission	80,600	75,550	106,326	(30,776)
City Manager	87,700	77,950	148,492	(70,542)
Legal services	15,000	40,000	77,188	(37,188)
Information technology	36,200	46,400	53,612	(7,212)
Planning & Zoning	3,000	3,000	1,750	1,250
Finance	90,000	106,700	121,426	(14,726)
Nondepartmental	2,000	6,200	6,103	97
Public safety:				
Law enforcement	92,700	85,150	98,960	(13,810)
Fire / EMS	25,000	25,000	25,000	-
Cemetery	1,000	1,000	1,040	(40)
Transportation:				
Public works	316,900	278,900	281,294	(2,394)
Other services	14,800	13,300	8,024	5,276
Culture and recreation:				
Parks and recreation	168,900	177,050	176,462	588
Capital outlay	117,000	45,000	13,673	31,327
Total expenditures	<u>1,050,800</u>	<u>981,200</u>	<u>1,119,350</u>	<u>(138,150)</u>
Excess (deficiency) of revenues over expenditures	<u>(193,200)</u>	<u>(2,400)</u>	<u>(60,970)</u>	<u>(58,570)</u>
Other financing sources (uses)				
Transfers in	65,000	40,000	-	(40,000)
Transfers out	-	(50,000)	(50,000)	-
Total other financing sources (uses)	<u>65,000</u>	<u>(10,000)</u>	<u>(50,000)</u>	<u>(40,000)</u>
Net change in fund balances	<u>(128,200)</u>	<u>(12,400)</u>	<u>(110,970)</u>	<u>(98,570)</u>
Fund balances, beginning of year	573,857	573,857	573,857	-
Fund balances, end of year	<u>\$ 445,657</u>	<u>\$ 561,457</u>	<u>\$ 462,887</u>	<u>\$ (98,570)</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 56,000	\$ 56,000	\$ 39,437	\$ (16,563)
Investment income	100	100	1	(99)
Total revenues	<u>56,100</u>	<u>56,100</u>	<u>39,438</u>	<u>(16,662)</u>
Expenditures				
Current:				
Culture and recreation	25,500	25,500	25,705	(205)
Total expenditures	<u>25,500</u>	<u>25,500</u>	<u>25,705</u>	<u>(205)</u>
Excess (deficiency) of revenues over expenditures	<u>30,600</u>	<u>30,600</u>	<u>13,733</u>	<u>(16,867)</u>
Net change in fund balances	<u>30,600</u>	<u>30,600</u>	<u>13,733</u>	<u>(16,867)</u>
Fund balances, beginning of year	(23,548)	(23,548)	(23,548)	-
Fund balances, end of year	<u>\$ 7,052</u>	<u>\$ 7,052</u>	<u>\$ (9,815)</u>	<u>\$ (16,867)</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF LAKE BUTLER, FLORIDA
NOTE TO SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
SEPTEMBER 30, 2023
(UNAUDITED)

Note to Budgetary Comparison Schedules:

The preparation, adoption, and amendment of the budgets are governed by the Florida Statutes. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal yearend. The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Draft

CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)									
Proportion of the net pension liability	0.001526246%	0.001447715%	0.001271204%	0.001181247%	0.001324748%	0.001374944%	0.001383890%	0.001097540%	0.001159024%
Proportionate share of the net pension liability	\$ 608,161	\$ 538,666	\$ 96,025	\$ 577,970	\$ 456,225	\$ 414,140	\$ 409,345	\$ 277,130	\$ 149,703
Covered payroll	708,760	849,076	601,957	653,071	607,266	613,565	585,070	579,342	555,381
Proportionate share of the net pension liability as a percentage of covered payroll	85.81%	63.44%	15.95%	88.50%	75.13%	67.50%	69.97%	47.84%	26.96%
Health Insurance Subsidy Program (HIS)									
Proportion of the net pension liability	0.001711742%	0.001702193%	0.001387579%	0.001442881%	0.001545372%	0.001560951%	0.001588008%	0.001620261%	0.001642268%
Proportionate share of the net pension liability	\$ 271,847	\$ 180,289	\$ 170,207	\$ 176,173	\$ 172,912	\$ 165,213	\$ 169,797	\$ 188,835	\$ 167,486
Covered payroll	708,760	849,076	601,957	653,071	607,266	613,565	585,070	579,342	555,381
Proportionate share of the net pension liability as a percentage of covered payroll	38.36%	21.23%	28.28%	26.98%	28.47%	26.93%	29.02%	32.59%	30.16%
Plan fiduciary net position as a percentage of the total pension liability	82.38%	79.09%	91.09%	74.46%	78.22%	79.86%	83.99%	79.36%	92.00%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)**

	For the Fiscal Year Ended September 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)									
Contractually required contribution	\$ 80,230	\$ 69,247	\$ 53,903	\$ 42,266	\$ 43,917	\$ 43,115	\$ 42,849	\$ 30,953	\$ 32,994
Contributions in relation to the contractually required contribution	80,230	69,247	53,903	42,266	43,917	43,115	42,849	30,953	32,994
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 708,760	\$ 849,076	\$ 601,957	\$ 653,071	\$ 607,266	\$ 613,565	\$ 585,070	\$ 579,342	\$ 555,381
Contributions as a percentage of covered payroll	11.32%	8.16%	8.95%	6.47%	7.23%	7.03%	7.32%	5.34%	5.94%
Health Insurance Subsidy Program (HIS)									
Contractually required contribution	\$ 12,444	\$ 23,176	\$ 9,078	\$ 8,954	\$ 8,174	\$ 9,314	\$ 17,774	\$ 9,604	\$ 7,243
Contributions in relation to the contractually required contribution	12,444	23,176	9,078	8,954	8,174	9,314	17,774	9,604	7,243
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 708,760	\$ 849,076	\$ 601,957	\$ 653,071	\$ 607,266	\$ 613,565	\$ 585,070	\$ 579,342	\$ 555,381
Contributions as a percentage of covered payroll	1.76%	2.73%	1.51%	1.37%	1.35%	1.52%	3.04%	1.66%	1.30%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>State Agency / Pass-Through Entity / State Project</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
STATE FINANCIAL ASSISTANCE			
Florida Department of Environmental Protection			
Direct:			
Statewide Water Quality Restoration Projects	37.039	LPA0314	\$ 10,000
Total Statewide Water Quality Restoration Projects			<u>10,000</u>
Direct:			
Wastewater Treatment Facility Construction	37.077	WW630100	687,070
Total Wastewater Treatment Facility Construction			<u>687,070</u>
Passed through Suwannee River Water Management District			
Alternative Water Supply	37.100	WS005	1,209,492
Total Alternative Water Supply			<u>1,209,492</u>
Total Florida Department of Environment Protection			<u>1,906,562</u>
Total State Financial Assistance			<u><u>\$ 1,906,562</u></u>

Notes:

1) Basis of Presentation:

The accompanying Schedule of State Financial Assistance includes state financial assistance activity of City of Lake Butler, Florida (City) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Florida Auditor General.

2) Subrecipients:

The City provided no state awards to subrecipients during the year ended September 30, 2023.

**CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

State Financial Assistance:

Internal control over major State projects:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major State projects: *Unmodified*

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550? yes none reported

Dollar threshold used to distinguish between type A and type B programs: \$571,969

Identification of major State programs:

CSFA Number	Project Name
37.077	Wastewater Treatment Facility Construction
37.100	Alternative Water Supply

B. Financial Statement Findings:

2023-001 Reconciliation of Account Balances and Audit Adjustments Related to Prior Periods

Criteria: Internal controls over financial reporting should include timely year-end reconciliations of all significant account balances, with such reconciliations to also include procedures related to the proper cutoff of significant revenue and expense activities. These reconciliations should be

performed on a timely and regular basis to help prevent misappropriation and ensure timely identification of errors or other issues.

Condition: Various audit adjustments were required from the previous city administration.

Cause: Due to entries made by the previous city administration along with significant personnel turnover, several prior period adjustments were needed related to misclassifications in the original posting, reversal of prior year auditor entries, and missing current year accruals.

Effect: Financial statements would be materially misstated if significant adjustments were not made related to prior period entries.

Recommendation: The City's controls should include periodic reconciliations of significant account balances, including full accrual-based reconciliations at fiscal-year end to ensure all amounts have been appropriately recorded and budgeted for. We recommend the City increase its review of such transactions, including a review for proper cutoff at the fiscal year-end, to help ensure completeness and accuracy of all financial reporting.

2023-002 Fuel Purchasing System (First-Year Repeat Comment)

Criteria: City-related fuel purchases should be monitored as to ensure fuel purchases are being utilized for City purposes only.

Condition: The City did not implement processes to ensure fuel-purchasing accountability during the fiscal year under audit.

Cause: The City does not have a formal process to track fuel purchases.

Effect: The City could not track fuel purchases and use for accountability over the use of purchased fuel.

Recommendation: We recommend the City implement a fuel purchasing and tracking policy to ensure purchases and use are appropriate.

2023-003 Journal Entry Controls

Criteria: Journal entries and electronic funds transfer (EFT) transactions should be reviewed, approved, and contain sufficient supporting documentation for the underlying purpose and amount of entry/disbursement.

Condition: Supporting documentation including review and approval should be properly documented for journal entries and EFT transactions.

Cause: The City does not have a formal process requiring approval and maintaining support for journal entries and EFT transactions.

Effect: The City could not provide support showing review and approval for journal entries and EFT transactions, which also resulted in journal entries being posted to incorrect accounts.

Recommendation: We recommend the City implement formal policies and procedures to establish proper review and approval of journal entries and EFT transactions.

2023-004 Inventory and Fixed Asset Monitoring

Criteria: Monitoring of fixed assets and inventories should be completed on a periodic basis.

Condition: After personnel turnover, the City did not continue with inventory counts or monitoring of fixed assets.

Cause: The City, due to significant turnover, was not able to keep up with inventory or fixed asset monitoring functions.

Effect: The City did not complete inventory counts or monitor fixed assets towards the end of the fiscal year under audit.

Recommendation: We recommend establishing and following procedures to ensure inventory counts and monitoring of fixed assets is occurring.

2023-005 Approved Pay Rates and Documentation

Criteria: Pay rates for new employees should be approved by management, as well as any changes in existing pay rates. Additionally, all timecards should be approved and match internal payroll documentation.

Condition: The City was unable to provide reviewed and approved documentation regarding all employee pay rates, as well as reviewed and approved documentation regarding discrepancies between timecards and internal payroll documentation.

Cause: The City does not have formal processes in place to review and approve all pay rates or internal payroll information.

Effect: The City could not provide approved pay rate support for certain employees, or provide any support for discrepancies between employee timecards and internal payroll information.

Recommendation: We recommend establishing and following formal procedures for reviewing and approving all pay rates and pay rate changes, as well as formal procedures for ensuring timecards agree to internal payroll information.

- C. **State Project Findings and Questioned Costs:** None.
- D. **Summary Schedule of Prior Audit Findings:** There were no audit findings in the prior year related to State Projects.
- E. **Corrective Action Plan:** See Auditee's Response to findings as listed in the table of contents.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE
PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,
City of Lake Butler, Florida:

Report on Compliance for Each Major State Project

We have audited City of Lake Butler, Florida's (the City) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2023. The City's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2023.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
August 16, 2024

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**INDEPENDENT AUDITORS' 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 Honorable Mayor, City Commission, and City Manager,
City of Lake Butler, Florida:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Butler, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the schedule of findings and questioned costs, as item 2023-001, to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2023-002 through 2023-005, to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described below:

2023-006 Budget Administration (First-Year Repeat Comment)

The City's legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. During our review we noted the redevelopment fund exceeded final approved budget by \$205 and the following general fund departments:

- General government exceed final approved budget by \$159,097
- Public safety exceed final approved budget by \$13,810
- Cemetery exceed final approved budget by \$40
- Transportation exceed final approved budget by \$2,394

As a result, the City was not in budgetary compliance. Additionally, although the City was able to provide support for the final approved budget there was no support for the approved amendments. We recommend that the City analyze budget vs. actual results subsequent to year-end as the fiscal year is being closed out and determine the need for additional budget amendments to ensure budgetary compliance, as amendments may be approved by the City Commission up to 60 days after fiscal year-end. Additionally

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying in the management's response as listed in the table of contents. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Gainesville, Florida
August 16, 2024

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,
City of Lake Butler, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Lake Butler, Florida (the City), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated August 16, 2024.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Examination Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated August 16, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following summarizes the status of prior year findings and recommendations. There were no second preceding year findings that remain unresolved.

2022-1 – Credit Card Abuse – Corrective action taken.

2022-2 – Fuel Purchasing System – Corrective action not taken. See 2023-002

2022-3 – Questioned Costs – Corrective action taken.

2022-4 – Property Exchange – Corrective action taken.

2022-5 – Internal Revenue Service Noncompliance – Corrective action taken.

2022-6 – Employee Leave Records – Corrective action taken.

2022-7 – Bidding process – Corrective action taken.

2022-8 – Audit Solicitation – Corrective action taken.

2022-9 – Budget Administration – Corrective action not taken. See 2023-006.

2022-10 – ARPA grant – Corrective action taken.

2022-11 – 1099's to employee's – Corrective action not taken. See 2023-008.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same. We noted the following finding in accordance with those rules:

2023-007 Financial Condition Assessment indicated Deteriorating Financial Condition

Florida Statutes 218.39(5) require the auditor to notify the governing council of the local government if conditions are present which could lead to the various financial emergency situations described in Florida Statutes 218.503(1). As a result of performing the annual financial condition assessment required by the State of Florida Auditor General, we noted that the analysis produced an "unfavorable" result. We recommend the City review its financial condition and adjust the operating budget for the General and Enterprise funds to improve the long-term financial condition of the City.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the following recommendations:

2023-008 Sinking Fund and Senior Lien Coverage Requirements

The City was not in compliance with certain sinking fund requirements and senior lien coverage requirements on debt agreements. We recommend monitoring and implementing any requirements related to the debt agreements.

2023-009 1099's to Employees (First-Year Repeat Comment)

During the fiscal year under audit, the City paid a W-2 employee as a 1099 subcontractor. We recommend the City monitor employees and ensure that W-2 employees are being paid as such.

2023-010 Public Depositor Report

We noted the City did not complete and submit the annual report to the Florida Chief Financial Officer's office, which could result in a loss of protection from the state on the public depositor funds. We recommend that management ensure that the Public Depositor Annual Report is submitted annually by the required due date of November 30th.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Special District Information – the Lake Butler Redevelopment Agency

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Lake Butler Community Redevelopment Agency District reported the following unaudited data:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year: 0.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year: 0.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: 0.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$3,600.
- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as: 0.
- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as follows: the district's original budget totaled \$25,500 and was not amended, for final budgeted expenditures of \$25,500.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Lake Butler Community Redevelopment Agency District reported the following unaudited data:

- a) The mileage rate or rates imposed by the district: 3.25 mils.
- b) The total amount of ad valorem taxes collected by or on behalf of the district: \$39,437.
- c) The total amount of outstanding bonds issued by the district and the terms of such bonds: 0.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Management's Response to Recommendations

The City's response to the recommendations identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Commission, management, others within the City, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gainesville, Florida
August 16, 2024

James Moore & Co., P.L.



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Lake Butler, Florida:

We have examined the City of Lake Butler, Florida's (the City) compliance with Section 218.415, Florida Statutes, Local Government Investment Policies (the Statute), for the year ended September 30, 2023. Management is responsible for the City's compliance with the Statute. Our responsibility is to obtain reasonable assurance by evaluate the City's compliance with the Statute and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance for evaluating the City's compliance with the Statute during the year ended September 30, 2023, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the City's compliance with the Statute during the year ended September 30, 2023. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks that the City was not in compliance with the Statutes in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the City of Lake Butler, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

Gainesville, Florida
August 16, 2024

James Moore & Co., P.L.

Kimberly Hayes
City Manager



Dave Mecusker
Finance Director

August 14, 2024

Good Afternoon, James Moore & Associates,

Please see attached signed representation letter and below Audit Findings ending fiscal year September 30, 2023.

- **2023-01 Reconciliation of Account Balances and Audit Adjustments Related to Prior Periods:**

The City Finance Department has initiated internal controls to address these concerns and is reviewing current Account Balances with emphasis on year-end closing adjustments.

Account Balances will be reviewed Monthly/Quarterly to provide accurate accounting information.

- **2023-002 Fuel Purchasing System (First year repeat Comment):**

A policy has been adopted that all City Vehicles will be utilized for City business only. Vehicle Credit Cards have been assigned to each vehicle and each vehicle assigned to a specific employee. A Vehicle Gas/maintenance log is assigned to all vehicles and submitted monthly for reconciliation and auditing purposes. These logs are being monitored by the Public Works Director, Finance Director and City Manager before any invoices are approved and paid.

- **2023-003 Journal Entry Controls:**

A formal Policy with applicable procedures is being formulated to provide additional review and approval for journal entries and EFT transactions. Said policy and procedures will be implemented upon approval.

- **2023-004 Inventory and Fixed Asset Monitoring:**

Inventory and Fixed Asset Procedures are being updated and will be implemented as of September 30, 2024, with a physical Audit to be performed during the 2024-2025 Fiscal Year due to current time restraints.

- **2023-005 Approved Pay Rates and Documentation:**

The Administrative Assistant to the City Manager position was re-established and the Human Resources responsibilities including onboarding/exiting, rate of pay with general HR responsibilities being assigned to this position. Other concerns have been addressed by the Budgetary and Payroll personnel.

- **2023-006 Budget Administration (First Year Repeat Comment):**

Management has taken aggressive action to bring into compliance this Audit concern. The city will be in compliance this Fiscal Year ending September 30, 2024.

- **2023.007 Financial Condition Assessment indicated Deteriorating Financial Condition:**

Management is monitoring all financial records as this is a major concern for the City. A meeting is being held with the Department of Corrections as their 5-year contract expires 11/1/2024. The City has gone through inflationary times and the Department of Corrections, under contract, had their Utility rates fixed for 5 years with no adjustments.

- **2023-008 Sinking Fund and Senior Lien Coverage Requirements:**

The City is currently monitoring and will analyze Senior Lien Coverage requirements related to the debt agreements and make adjustments for compliance.

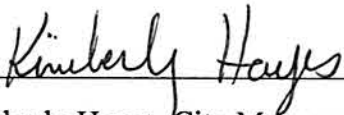
- **2023-009 1099's to Employees (First-Year Repeat Comment):**

The policy of utilizing city employees as contractors has been stopped. The city is in compliance with this concern.

- **2023-10 Public Depositor Report:**

The City has separated Grant Funding from the Wastewater account and opened six (6) new checking accounts. The required Public Depositor Report is being prepared to assure compliance with this concern.

Please feel free to reach out with any questions or concerns.



Kimberly Hayes, City Manager

City of Lake Butler

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