

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2009

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2009

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INTRODUCTORY SECTION

CITY OF LAKE BUTLER, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2009

MAYOR	Ray Crawford
VICE MAYOR	Scott Cason
CITY COMMISSION	Jimmy Beasley Brantley Crawford Fletcher Myers
CITY MANAGER	John Berchtold
CITY ATTORNEY	John E. Maines, IV

FINANCIAL STATEMENTS



Powell & Jones
Certified Public Accountants

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Marian Jones Powell, CPA

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of the City Commission
City of Lake Butler, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the City of Lake Butler, Florida, (City) as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lake Butler's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the City of Lake Butler, Florida as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

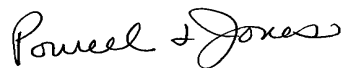
In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2009, on our consideration of the City of Lake Butler's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information presented for the major governmental funds is not a required part of the basic financial statements of the City of Lake Butler, Florida, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Management's Discussion and Analysis on page 9 through 13, is also not a required part of the basic financial statements of the City of Lake Butler, Florida, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining fund financial statements and schedule of expenditures of federal awards and state financial assistance listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Lake Butler, Florida. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

POWELL & JONES
Certified Public Accountants
November 23, 2009

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

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

Report Layout

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

Basic Financial Statements

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

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

City as a Whole

Government-wide Financial Statements

Net Assets at September 30, 2009 and 2008

	Governmental	Business-type	Total Government	
	Activities	Activities	2009	2008
Assets				
Cash and investments	\$ 1,017,502	\$ 581,786	\$ 1,599,288	\$ 1,480,031
Other assets	-	140,319	140,319	109,590
Capital assets	1,555,848	3,054,099	4,609,947	4,835,296
Total assets	2,573,350	3,776,204	6,349,554	6,424,917
Liabilities				
Current liabilities	23,714	162,012	185,726	171,782
Long term liabilities	19,818	1,705,653	1,725,471	1,784,026
Total liabilities	43,532	1,867,665	1,911,197	1,955,808
Net assets				
Invested in capital assets, net				
of related debt	1,555,848	1,302,993	2,858,841	3,025,022
Restricted	93,559	167,300	260,859	212,924
Restricted - redevelopment	153,826	-	153,826	183,693
Unrestricted	726,585	438,246	1,164,831	1,047,470
Total net assets	\$ 2,529,818	\$ 1,908,539	\$ 4,438,357	\$ 4,469,109

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

Restricted assets consist of earmarked funds of \$153,826 in the community redevelopment program, \$93,559 in the Tillis Building Fund and \$167,300 in the City's Proprietary Fund.

The City's net assets decreased \$30,752 over the year. This decrease is primarily due to depreciation of capital assets in the Utility Fund.

The following schedule provides a summary of the changes in net assets. The increase in Governmental Activities net assets is due primarily to a prior period adjustment (see Note 15). The decrease during the year through Business-type Activities net assets is due to depreciation of capital assets.

A condensed version of the Statement of Activities follows:

Change in Net Assets
For the Fiscal Years Ended September 30, 2009 and 2008

	Governmental Activities	Business-type Activities	Total Government	
			2009	2008
Revenues				
Program revenues				
Charges for services	\$ 48,327	\$ 1,211,966	\$ 1,260,293	\$ 1,067,684
Grants and contributions	37,954	12,337	50,291	228,422
General revenues				
Taxes	402,915	-	402,915	362,510
Franchise fees	146,726	-	146,726	139,780
Licenses and permits	18,787	-	18,787	36,920
State shared revenues	120,401	-	120,401	194,425
Interest and other	34,339	3,108	37,447	339,645
Rents and royalties	41,504	4,073	45,577	28,231
Reclassification/ deletion of surplus assets	(90,716)	(8,618)	(99,334)	23,276
Total revenues	760,237	1,222,866	1,983,103	2,420,893
Expenses				
General government	275,673	-	275,673	359,878
Public safety	123,496	-	123,496	137,002
Transportation	246,653	-	246,653	237,210
Economic environment	12,844	-	12,844	1,497
Human services	23,236	-	23,236	14,278
Culture/recreation	205,577	-	205,577	328,141
Interest on long-term debt	-	68,233	68,233	75,268
Water	-	348,572	348,572	340,012
Garbage services	-	127,960	127,960	126,693
Sewer	-	741,610	741,610	668,677
Total expenses	887,479	1,286,375	2,173,854	2,288,656
Transfers in (out)	51,361	(51,361)	-	-
Change in net assets	(75,881)	(114,870)	(190,751)	132,237
Beginning net assets	2,445,699	2,023,409	4,469,108	4,336,872
Prior period adjustment	160,000	-	160,000	-
Ending net assets	\$ 2,529,818	\$ 1,908,539	\$ 4,438,357	\$ 4,469,109

Governmental activities:

Taxes provide 53% of the revenues for Governmental Activities, while franchise fees provide 19%. Most of the Governmental Activities resources are spent for General Government (36%), Culture/recreation (27%), and Transportation (28%).

Business-type activities:

Business-type activities decreased the City's net assets by \$114,870. This decrease is primarily due to the depreciation of capital assets.

Budgetary Highlights

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

Capital Assets and Debt Administration

Capital Assets

At September 30, 2009, the City had \$4.6 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, roads, bridges and water and sewer facilities. This amount represents a net decrease (additions, deductions, and depreciation) of \$225,349 or 5% less than last year. This decrease was primarily attributable to the removal of assets from the fixed asset tracking system of those assets no longer meeting the threshold requirements for tracking per a policy change implemented in the current fiscal year.

Capital Assets at September 30, 2009 and 2008

	Governmental		Business-type		Totals	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 84,551	\$ 84,551	\$ 541,813	\$ 541,813	\$ 626,364	\$ 626,364
Buildings	1,370,449	1,370,449	135,000	135,000	1,505,449	1,505,449
Improvements	375,000	375,000	5,533,800	5,048,461	5,908,800	5,423,461
Equipment	812,407	653,163	231,572	238,143	1,043,979	891,306
Construction in progress	-	-	-	467,403	-	467,403
Subtotal	2,642,407	2,483,163	6,442,185	6,430,820	9,084,592	8,913,983
Accumulated depreciation	(1,086,559)	(978,388)	(3,388,086)	(3,100,299)	(4,474,645)	(4,078,687)
Capital assets, net	<u>\$ 1,555,848</u>	<u>\$ 1,504,775</u>	<u>\$ 3,054,099</u>	<u>\$ 3,330,521</u>	<u>\$ 4,609,947</u>	<u>\$ 4,835,296</u>

Debt Outstanding

At year-end, the City had \$1,793,383 in debt outstanding versus \$1,847,810 last year, a decrease of \$54,427.

Debt Outstanding at September 30, 2009 and 2008

	Governmental		Business-type		Totals	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenue bonds	\$ -	\$ -	\$ 1,331,000	\$ 1,372,000	\$ 1,331,000	\$ 1,372,000
Loan payable	-	-	420,106	438,275	420,106	438,275
	-	-	1,751,106	1,810,275	1,751,106	1,810,275
Compensated absences	21,540	17,685	20,737	19,850	42,277	37,535
Total	\$ 21,540	\$ 17,685	\$ 1,771,843	\$ 1,830,125	\$ 1,793,383	\$ 1,847,810

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

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The current unemployment rate for Union County was 8.4%. This rate represents an increase over the prior year rate of 5.1%.
- The official population for the City in 2009 was 2,145 and is estimated to be approximately the same in 2010.
- The ad valorem tax rate for the City was 2.25 mills in 2009.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Manager at 200 SW First Street, Lake Butler, Florida 32054.

BASIC FINANCIAL STATEMENTS

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,017,502	\$ 414,486	\$ 1,431,988
Accounts receivable - net	-	78,803	78,803
Due from other governmental units	-	47,612	47,612
Due from other funds	-	13,904	13,904
Total current assets	<u>1,017,502</u>	<u>554,805</u>	<u>1,572,307</u>
Noncurrent assets			
Restricted assets			
Cash	-	166,931	166,931
Cash with paying agent	-	369	369
Total restricted assets	<u>-</u>	<u>167,300</u>	<u>167,300</u>
Capital assets - net	<u>1,555,848</u>	<u>3,054,099</u>	<u>4,609,947</u>
Total assets	<u><u>2,573,350</u></u>	<u><u>3,776,204</u></u>	<u><u>6,349,554</u></u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	\$ 6,194	\$ 12,754	\$ 18,948
Accrued liabilities	-	1,611	1,611
Sales tax payable	236	-	236
Performance bond payable	-	15,000	15,000
Due to other governmental units	1,657	-	1,657
Due to other funds	13,904	-	13,904
Notes payable, current	-	22,531	22,531
Accrued compensated absences	1,723	1,659	3,382
Total current liabilities (payable from current assets)	<u>23,714</u>	<u>53,555</u>	<u>77,269</u>
Current liabilities (payable from restricted assets)			
Accrued interest payable	-	5,581	5,581
Deposits	-	60,876	60,876
Current portion serial bonds	-	42,000	42,000
Total current liabilities (payable from restricted assets)	<u>-</u>	<u>108,457</u>	<u>108,457</u>
Other liabilities			
Accrued leave payable	<u>19,818</u>	<u>19,078</u>	<u>38,896</u>
Noncurrent liabilities			
Note payable	-	397,575	397,575
Serial bonds payable	-	1,289,000	1,289,000
Total noncurrent liabilities	<u>-</u>	<u>1,686,575</u>	<u>1,686,575</u>
Total liabilities	<u><u>43,532</u></u>	<u><u>1,867,665</u></u>	<u><u>1,911,197</u></u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
NET ASSETS			
Invested in capital assets net of related debt	1,555,848	1,302,993	2,858,841
Restricted	(93,559)	167,300	73,741
Restricted - redevelopment	153,826	-	153,826
Unrestricted	<u>726,585</u>	<u>438,246</u>	<u>1,164,831</u>
Total net assets	<u>2,342,700</u>	<u>1,908,539</u>	<u>4,251,239</u>
Total liabilities and net assets	<u><u>2,386,232</u></u>	<u><u>3,776,204</u></u>	<u><u>6,162,435</u></u>

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - type Activities	Total
Governmental Activities							
General government	\$ 275,673	\$ -	\$ 16,901	\$ -	\$ (258,772)	\$ -	\$ (258,772)
Public safety	123,497	4,000	-	-	(119,497)	-	(119,497)
Transportation	246,653	44,327	-	-	(202,326)	-	(202,326)
Economic environment	12,844	-	-	-	(12,844)	-	(12,844)
Human services	23,236	-	-	-	(23,236)	-	(23,236)
Culture/recreation	205,575	-	-	21,053	(184,522)	-	(184,522)
Total governmental activities	887,479	48,327	16,901	21,053	(801,198)	-	(801,198)
Business-type activities							
Water services	348,572	(357,187)	-	-	-	(705,760)	(705,760)
Garbage and solid waste services	127,960	(154,082)	-	-	-	(282,042)	(282,042)
Sewer services	741,610	(700,697)	12,337	-	-	(1,429,970)	(1,429,970)
Interest on long-term debt	(68,233)	-	-	-	-	68,233	68,233
Total business-type activities	1,149,909	(1,211,964)	12,337	-	-	(2,349,537)	(2,349,537)
Total government	\$ 2,037,388	\$ (1,163,637)	\$ 29,238	\$ 21,053			
			General revenues				
			Property taxes		125,818	-	125,818
			Sale and use taxes		120,101	-	120,101
			Franchise fees		146,726	-	146,726
			Utility services taxes		31,697	-	31,697
			Communications service taxes		118,791	-	118,791
			Payments in lieu of taxes		6,508	-	6,508
			Licenses and permits		18,787	-	18,787
			State shared revenues		120,401	-	120,401
			Rents and royalties		(9,384)	(4,073)	(13,456)
			Interest		1,885	-	1,885
			Miscellaneous		32,455	(3,108)	29,347
			Transfers		51,361	51,361	-
			Reclassification of fixed assets		(90,716)	8,618	(82,098)
			Total general revenues		674,430	52,798	727,228
			Change in net assets		\$ (126,768)	\$ (2,296,738)	\$ (2,423,506)
			Prior period adjustment		160,000	-	160,000
			Net assets beginning		2,445,699	2,023,409	4,469,108
			Net assets ending		\$ 2,478,931	\$ (273,329)	\$ 2,205,602

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2009

	Special Revenue Funds			Capital Project Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Downtown Development	Street Improvement	Community Development Block Grant		
ASSETS						
Current assets						
Cash	\$ 543,117	\$ 153,826	\$ 189,123	\$ 91	\$ 131,345	\$ 1,017,502
Due from other funds	-	-	540	-	443	983
Total assets	\$ 543,117	\$ 153,826	\$ 189,663	\$ 91	\$ 131,788	\$ 1,018,485
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Current liabilities						
Accounts payable	\$ 6,194	\$ -	\$ -	\$ -	\$ -	\$ 6,194
Due to other funds	14,887	-	-	-	-	14,887
Due to state	236	-	-	-	-	236
Due to other governmental units	1,657	-	-	-	-	1,657
Total liabilities	22,974	-	-	-	-	22,974
FUND BALANCES						
Reserved		153,826			93,559	247,385
Unreserved	520,143	-	189,663	91	38,229	748,127
Total fund balances	520,143	153,826	189,663	91	131,788	995,511
Total liabilities and fund balances	\$ 543,117	\$ 153,826	\$ 189,663	\$ 91	\$ 131,788	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

1,555,848

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

(21,541)

\$ 2,529,818

CITY OF LAKE BUTLER, FLORIDA

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended September 30, 2009 Capital Project

	Special Revenue Funds			Fund	Other	Total
	General	Downtown	Street	Community	Governmental	Governmental
	Fund	Development	Improvement	Development	Funds	Funds
				Block Grant		
REVENUES						
Taxes	\$ 485,468	\$ 57,665	\$ -	\$ -	\$ -	\$ 543,133
Licenses and permits	25,295	-	-	-	-	25,295
Intergovernmental	158,355	-	-	-	-	158,355
Charges for services	48,327	-	-	-	-	48,327
Miscellaneous	50,399	-	-	-	25,444	75,842
Total revenue	<u>767,844</u>	<u>57,665</u>	<u>-</u>	<u>-</u>	<u>25,444</u>	<u>850,953</u>
EXPENDITURES						
Current expenditures						
General government	242,085	-	-	-	6,852	248,937
Public safety	95,286	-	-	-	-	95,286
Transportation	231,448	-	950	-	-	232,398
Economic environment	-	12,844	-	-	-	12,844
Human services	23,236	-	-	-	-	23,236
Culture/recreation	118,038	-	-	-	15,711	133,749
Capital outlay						
General government	-	-	-	-	18,553	18,553
Transportation	-	-	86,809	-	-	86,809
Grants and aids						
Culture/recreation	13,600	-	-	-	-	13,600
Total expenditures	<u>723,693</u>	<u>12,844</u>	<u>87,759</u>	<u>-</u>	<u>41,116</u>	<u>865,412</u>
Excess of revenues over (under) expenditures	<u>44,151</u>	<u>44,821</u>	<u>(87,759)</u>	<u>-</u>	<u>(15,673)</u>	<u>(14,459)</u>
OTHER FINANCING SOURCES (USES)						
Sale of real property						
Interfund transfers in	91,781	10,180	111,000	-	17,587	230,548
Interfund transfers out	(91,228)	(84,869)	-	-	(3,091)	(179,188)
Total other financing sources (uses)	<u>553</u>	<u>(74,690)</u>	<u>111,000</u>	<u>-</u>	<u>14,496</u>	<u>51,360</u>
Net change in fund balances	44,704	(29,868)	23,241	-	(1,176)	36,901
Fund balances at beginning of year	475,439	183,694	166,422	91	132,964	958,610
Fund balances at end of year	<u>\$ 520,143</u>	<u>\$ 153,826</u>	<u>\$ 189,663</u>	<u>\$ 91</u>	<u>\$ 131,788</u>	<u>\$ 995,511</u>

CITY OF LAKE BUTLER, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2009

Net change in fund balances - total governmental funds		\$	36,901
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Expenditures for capital assets	105,361		
Less current year depreciation	<u>(123,572)</u>		(18,211)
Governmental funds report sales of fixed assets as a gross revenue and do not report reclassifications or deletions. In the statement of activities, the gross revenue from a sale of fixed assets or the reclassification or deletion of a fixed asset is converted to a gain (or loss) from the sale/reclassification or deletion of fixed assets by factoring in the original cost of the asset minus the accumulated depreciation.			
Loss on reclassification/deletion of fixed assets			(90,716)
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.			
Net increase in compensated absences			<u>(3,855)</u>
Change in net assets of governmental activities		\$	<u><u>(75,881)</u></u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE
STATEMENT OF NET ASSETS
September 30, 2009

ASSETS	<u>Enterprise Fund</u>
Current assets	
Cash	\$ 414,486
Accounts receivable	118,000
Allowance for doubtful accounts	(39,197)
Due from other governmental units	47,612
Due from other funds	13,904
Total current assets	<u>554,805</u>
Restricted assets	
Cash	166,931
Cash with paying agent	369
Total restricted assets	<u>167,300</u>
Noncurrent assets	
Fixed assets	
Land	541,813
Improvements other than buildings	5,668,800
Equipment	231,572
Allowance for depreciation	(3,388,086)
Total fixed assets	<u>3,054,099</u>
Total assets	<u>\$ 3,776,204</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities payable from current assets	
Accounts payable	\$ 12,754
Accrued liabilities	1,611
Performance bond payable	15,000
Current portion of loan payable	22,531
Accrued compensated absences	1,659
Total current liabilities payable from current assets	<u>53,555</u>
Current liabilities payable from restricted assets	
Accrued interest payable	5,581
Deposits	60,876
Current portion serial bonds	42,000
Total current liabilities from restricted assets	<u>108,457</u>
Other liabilities	
Accrued leave payable	<u>19,078</u>
Noncurrent liabilities	
Long-term liabilities	
Loan payable	397,575
Serial bonds payable	1,289,000
Total long-term liabilities	<u>1,686,575</u>
Total liabilities	<u>1,867,665</u>
NET ASSETS	
Invested in capital assets net of related debt	1,302,993
Restricted	167,300
Unrestricted	438,246
Total net assets	<u>1,908,539</u>
Total liabilities and net assets	<u>\$ 3,776,204</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the Fiscal Year Ended September 30, 2009

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	
Water utility services	\$ 343,639
Garbage solid waste services	154,082
Sewer utility services	698,947
Water tap in and connection	1,750
Cut on/off fees	13,549
Miscellaneous	
Other	3,108
Total operating revenues	<u>1,215,074</u>
OPERATING EXPENSES	
Water services	
Personal services	
Executive salaries	25,262
Regular salaries	107,460
Other salaries and wages	1,652
FICA	10,286
Retirement	10,678
Life and health insurance	588
Worker's compensation	7,639
Total personal services	<u>163,565</u>
Operating expenses	
Professional services	1,525
Accounting and auditing	1,736
Books, publications and subscriptions	100
Other contractual services	6,850
Uniforms	2,722
Chemicals	6,138
Depreciation	70,632
Communications	4,787
Utilities	28,789
Insurance	8,171
Repairs and maintenance	24,329
Other current charges and obligations	1,433
Postage	1,540
Operating supplies	16,355
Vehicle supplies	9,900
Total operating expenses	<u>185,007</u>
Total water services	<u>348,572</u>

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the Fiscal Year Ended September 30, 2009

Garbage and solid waste services	
Operating expenses	
Other contractual services	\$ 124,108
Operating supplies	1,600
Vehicle supplies	2,252
Total operating expenses	<u>127,960</u>
Total garbage and solid waste services	<u>127,960</u>
Sewer services	
Personal services	
Executive salaries	21,653
Regular salaries	105,006
Other salaries and wages	1,652
FICA	9,887
Life and health insurance	1,470
Retirement	10,560
Worker's compensation	9,003
Total personal services	<u>159,231</u>
Operating expenses	
Professional services	13,113
Accounting and auditing	4,340
Other contractual services	22,264
Uniforms	2,175
Chemicals	10,087
Depreciation	230,942
Communications	5,242
Utilities	107,100
Insurance	17,853
Repairs and maintenance	90,680
Other current charges and obligations	19,659
Postage	1,540
Operating supplies	31,388
Books, publications and subscriptions	125
Vehicle supplies	9,501
Environmental assessment fees	16,370
Total operating expenses	<u>582,379</u>
Total sewer services	<u>741,610</u>
Total operating expenses	<u>1,218,142</u>
Operating loss	<u>(3,068)</u>

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 For the Fiscal Year Ended September 30, 2009

NONOPERATING REVENUES (EXPENSES)	
Loss on disposal of fixed assets	\$ (8,618)
FEMA grant	12,337
Rents and royalties	4,073
Interest expense	(68,233)
Total nonoperating revenues (expenses)	<u>(60,442)</u>
Expense before operating transfers	<u>(63,509)</u>
OPERATING TRANSFERS	
Interfund transfers in	13,461
Interfund transfers out	(64,822)
	<u>(51,361)</u>
Net loss	(114,870)
Net assets, beginning of year	2,023,409
Net assets, end of year	<u>\$ 1,908,539</u>

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2009

	<u>Enterprise Fund</u>
CASH FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,180,830
Miscellaneous receipts	3,108
Cash payments for goods and services	(584,175)
Cash payments to employees	(323,683)
Net cash provided by operating activities	<u>276,080</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of property and equipment	(501,173)
Construction in progress reclassification	467,403
Principal paid on revenue bonds	(41,000)
Principal paid on loan payable	(18,169)
Proceeds of sprayfield lease	4,073
Net transfers in/out from governmental funds	(51,361)
Interest paid	(68,233)
Net cash used in capital and related financing activities	<u>(208,460)</u>
Net increase in cash and cash equivalents	67,620
Cash and cash equivalents, beginning of year	<u>514,166</u>
Cash and cash equivalents, end of year	<u><u>\$ 581,786</u></u>

(continued)

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2009

	<u>Enterprise Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	<u>\$ (3,068)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	301,574
Change in operating assets - decrease (increase) and operating liabilities - increase (decrease)	
Accounts receivable	4,057
Other receivables	(35,193)
Accounts payable	9,973
Accrued liabilities	7
Customer deposits	(383)
Accrued leave payable	(887)
	<u>279,148</u>
Net cash provided by operating activities	<u><u>\$ 276,080</u></u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

1. Government-wide Financial Statements

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

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

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

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

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

2. Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Major Funds:

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

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

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

Community Development Block Grant Fund - Established by the City to administer a previous Community Development Block Grant Program, which was awarded the City by the Department of Community Affairs to make residential housing improvements and construction.

2. Proprietary Major Fund:

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

3. Special Revenue Nonmajor Fund:

Tillis Building Fund - Used to account for lease payments and expenditures associated with the City's Tillis Industrial Building.

4. Capital Projects Nonmajor Funds:

Townsend Building Fund - Established by the City to administer the Historic Preservation Grant awarded to the City by the Florida Department of State for the purpose of acquiring and renovating the historic Townsend Building. This fund was closed out in the current year.

Trailhead Park Fund – Established by the City to administer the Florida Recreation Development Assistance Program (FRDAP) Grant awarded by the Florida Department of Environmental Protection for the purpose of developing the Trailhead Park.

5. Non-current Governmental Assets/Liabilities:

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

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.
2. Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2009, the City's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.
3. Allowance for Doubtful Accounts - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2009, this allowance account totaled \$39,197; based upon prior collection history. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered to be fully collectible as reported at September 30, 2009.
4. Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
5. Inventories - The costs of governmental inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any such inventory type goods on hand at year end would not be material.
6. Restricted Assets - As applicable, year to year, certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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

In the current year, the City reserved a portion of the fund balance in the Tillis Building Fund to provide for the refund of previously acquired USDA grant funding as described in Note 14.

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

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

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

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

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

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

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

- A. Explanation of Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets.

"Total fund balances" of the City's governmental funds \$995,511 differs from "net assets" of governmental activities \$2,529,818 reported in the statement of net assets. This difference

primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

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

Cost of capital assets	\$ 2,642,407
Accumulated depreciation	<u>(1,086,559)</u>
Total	<u>\$ 1,555,848</u>

Long-term debt transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2009, were:

Compensated absences	<u>\$ 21,541</u>
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Elimination of interfund receivables/payable

Interfund receivables and payables in the amount of \$983 between governmental funds must be eliminated for the statement of net assets.

CITY OF LAKE BUTLER, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Net Assets
ASSETS					
Cash and cash equivalents	\$ 1,017,502	\$ -	\$ -	\$ -	\$ 1,017,502
Due from other funds	983	-	-	(983)	-
Capital assets - net	-	1,555,848	-	-	1,555,848
Total assets	\$ 1,018,485	\$ 1,555,848	\$ -	\$ (983)	\$ 2,573,350
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 6,194	\$ -	\$ -	\$ -	\$ 6,194
Due to other funds	14,887	-	-	(983)	13,904
Due to other governmental units	1,657	-	-	-	1,657
Accrued compensated absences	-	-	21,541	-	21,541
Accrued liabilities	236	-	-	-	236
Total liabilities	22,974	-	21,541	(983)	43,532
Fund balances/net assets	995,511	1,555,848	(21,541)	-	2,529,818
Total liabilities and fund balances net assets	\$ 1,018,485	\$ 1,555,848	\$ -	\$ (983)	\$ 2,573,350

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

The "net change in fund balances" for governmental funds \$36,901 differs from the "change in net assets" for governmental activities (\$75,881) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	\$ 105,361
Depreciation expense	<u>(123,572)</u>
Difference	<u>\$ (18,211)</u>

When capital assets that are used in governmental activities are sold, the proceeds of the sale of those assets are reported as revenues in the governmental funds. When capital assets are reclassified or deleted, they are not reported in the governmental funds. However, in the statement of activities, these revenues, reclassifications and deletions are adjusted by the difference between the original cost of the asset less the accumulated depreciation at the time of the transaction. The resulting revenue or expense is then reported as a gain or loss on the sale, reclassifications/deletions of fixed assets in the statement of activities.

Loss on reclassifications and deletions	<u>\$ (90,716)</u>
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Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net increase in compensated absences	<u>\$ (3,855)</u>
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CITY OF LAKE BUTLER, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities
REVENUES				
Taxes	\$ 543,133	\$ -	\$ -	\$ 543,133
Licenses and permits	25,295	-	-	25,295
Intergovernmental	158,355	-	-	158,355
Charges for services	48,327	-	-	48,327
Miscellaneous	75,842	-	-	75,842
Total revenue	<u>850,953</u>	<u>-</u>	<u>-</u>	<u>850,953</u>
EXPENDITURES				
Current expenditures				
General government	248,937	22,880	3,856	275,673
Public safety	95,286	28,211	-	123,497
Transportation	232,398	14,255	-	246,653
Economic environment	12,844	-	-	12,844
Human services	23,236	-	-	23,236
Culture/recreation	133,749	58,226	-	191,975
Capital outlay				
General government	18,553	(18,553)	-	-
Transportation	86,809	(86,809)	-	-
Grants and aids				
Culture/recreation	13,600	-	-	13,600
Total expenditures	<u>865,412</u>	<u>18,210</u>	<u>3,856</u>	<u>887,478</u>
Excess of revenues over (under) expenditures	<u>(14,459)</u>	<u>(18,210)</u>	<u>(3,856)</u>	<u>(36,525)</u>
OTHER FINANCING SOURCES (USES)				
Reclassification of fixed assets	-	(90,716)	-	(90,716)
Interfund transfers in	230,548	-	-	230,548
Interfund transfers out	(179,188)	-	-	(179,188)
Total other financing sources (uses)	<u>51,360</u>	<u>(90,716)</u>	<u>-</u>	<u>(39,355)</u>
Net change in fund balances	36,901	(108,926)	(3,856)	(75,881)
Fund balances at beginning of year	958,610	1,504,774	(17,685)	2,445,699
Prior period adjustment	-	160,000	-	160,000
Fund balances at end of year	<u>\$ 995,511</u>	<u>\$ 1,555,848</u>	<u>\$ (21,541)</u>	<u>\$ 2,529,818</u>

NOTE 3. LEGAL COMPLIANCE --BUDGETS

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the City deposits totaling \$1,431,988 were insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the City is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. At year end, all invested funds consisted of bank cash accounts which were fully insured or collateralized. These deposits are classified as Category 1 in accordance with GASB Standard No. 3, "Deposits with Financial Institutions, Investments, and Reserve Repurchase Agreements."

NOTE 5. PROPERTY TAX REVENUES

All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified by the County Property Appraiser. The County Tax Collector mails to each property owner on the assessment roll a notice of taxes levied by the City and other governmental entities in the County. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible personal property become delinquent taxes, including applicable tax certificate sales, tax deed sales, and tangible personal property seizure and sales are provided for by the laws of Florida. Due to those collection procedures, no material amounts of delinquent taxes were due the City at year end. Collections of City taxes and remittances are accounted for in the County Tax Collector's office.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Reclassifications Deletions	Ending Balance
<u>Governmental activities:</u>				
Capital assets:				
Land	\$ 84,551	\$ -	\$ -	\$ 84,551
Buildings	1,370,449	-	160,000	1,530,449
Other improvements	375,000	-	-	375,000
Machinery and equipment	653,163	105,362	(106,118)	652,407
Total capital assets	2,483,163	105,362	53,882	2,642,407
Less accumulated depreciation	(978,389)	(123,572)	15,402	(1,086,559)
Governmental activities capital assets, net	<u>\$ 1,504,774</u>	<u>\$ (18,210)</u>	<u>\$ 69,284</u>	<u>\$ 1,555,848</u>
<u>Business-type activities:</u>				
Land	\$ 541,813	\$ -	\$ -	\$ 541,813
Buildings	135,000	-	-	135,000
Improvements other than buildings	5,048,461	492,234	(6,895)	5,533,800
Machinery and equipment	238,143	8,939	(15,510)	231,572
Construction in progress	467,403	-	(467,403)	-
Total capital assets	6,430,820	501,173	(489,808)	6,442,185
Less accumulated depreciation	(3,100,299)	(301,574)	13,787	(3,388,086)
Business-type activities capital assets, net	<u>\$ 3,330,521</u>	<u>\$ 199,599</u>	<u>\$ (476,021)</u>	<u>\$ 3,054,099</u>

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

Governmental activities:	
General Government	\$ 22,880
Public Safety	28,211
Transportation	14,255
Parks and recreation	58,226
Total depreciation expense - governmental entities	<u>\$ 123,572</u>
Business-type activities:	
Water and sewer utility	<u>\$ 301,574</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2009.

Fund	Receivable	Payable
General	\$ -	\$ 14,887
Street Improvement	540	-
Tillis Building	443	-
Proprietary	13,904	-
	<u>\$ 14,887</u>	<u>\$ 14,887</u>

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2009, consisted of the following:

Fund	Transfers in	Transfers out
General	\$ 91,781	\$ 91,228
Street Improvement	111,000	-
Proprietary	13,461	64,822
Trailhead Park	17,587	1,763
Tillis Building	-	1,327
Downtown Development	10,180	84,869
	<u>\$ 244,009</u>	<u>\$ 244,009</u>

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

NOTE 9. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2009, were as follows:

	Account	Due from Others/ Governmental Units	Total Receivables
Business-type activities:			
Enterprise Fund	<u>\$ 118,000</u>	<u>\$ 47,612</u>	<u>\$ 165,612</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$39,197.

Payables

Payables at September 30, 2009, were as follows:

	<u>Vendors</u>	<u>Due to Other Governmental Units</u>	<u>Total Payables</u>
Governmental activities:			
Funds			
General	<u>\$ 6,194</u>	<u>\$ 1,657</u>	<u>\$ 7,851</u>
Business-type activities:			
Enterprise Fund	<u>\$ 12,754</u>	<u>\$ -</u>	<u>\$ 12,754</u>

NOTE 10. LONG-TERM LIABILITIES

Governmental Activities

Summary of changes in governmental activities long-term liabilities

The following summarizes the changes in the City's governmental long-term liabilities during the year ended September 30, 2009:

	<u>Balance October 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2009</u>
Compensated Absences	<u>\$ 17,686</u>	<u>\$ 3,855</u>	<u>\$ -</u>	<u>\$ 21,541</u>

Business-type Activities

A summary of proprietary fund debt as of September 30, 2009, follows:

Water and Sewer Revenue Bonds 1980 - Gross revenues of the water and sewer system primarily, and secondarily the City's proceeds of its utility services taxes and guaranteed entitlement portion of State Revenue Sharing are pledged to service this debt. The outstanding balance at September 30, 2009, is \$286,000. The remaining bonds mature annually from September 1, 2009 through September 1, 2019, at averaged payments of \$36,733, including interest at 5%.

Water and Sewer Revenue Bonds 1998 - Gross revenues of the water and sewer system primarily, and secondarily the City's proceeds of its utility services taxes are pledged to service this debt. The outstanding balance at September 30, 2009, is \$1,045,000. The remaining bonds mature

annually from September 1, 2006 through September 1, 2037, at averaged payments of \$66,424, including interest at 4.5%.

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

Water and Sewer Revenue Bonds 1980 - A reserve is required by the bond ordinance to accumulate sufficient funds to be used for: (a) repair and replacement of the water system due to catastrophe, (b) constructing improvements to increase net revenues of the Enterprise Fund, and (c) payment of any principal and interest if the funds of the Sinking Fund are insufficient. The reserve is maintained by transferring monthly from the revenue account \$310, until a maximum amount of \$37,200 is attained. This reserve was fully funded at September 30, 2009.

Water and Sewer Revenue Bonds 1998 - A reserve is required by the bond ordinance to accumulate sufficient funds to be used for: (a) repair and replacement of the water system due to catastrophe, (b) constructing improvements to increase net revenues of the Enterprise Fund, and (c) payment of any principal and interest if the funds of the Sinking Fund are insufficient. The reserve is maintained by transferring monthly from the revenue account \$560, until a maximum amount of \$67,148 is attained. This reserve was fully funded at September 30, 2009.

Revenue bond debt service requirements to maturity, including \$897,870 of interest, are as follows:

Fiscal Year Ending September 30	1980 Bonds	1998 Bonds	Total
2010	\$ 37,300	\$ 66,025	\$ 103,325
2011	37,150	66,044	103,194
2012	36,950	66,394	103,344
2013	36,700	66,325	103,025
2014	37,400	66,335	103,735
2015-2019	184,800	332,099	516,899
2020-2024	-	332,676	332,676
2025-2029	-	332,940	332,940
2030-2034	-	332,269	332,269
2035-2037	-	197,463	197,463
	\$ 370,300	\$ 1,858,570	\$ 2,228,870

Loan Payable – On May 19, 2006, the City closed on a loan agreement with Mercantile Bank in the amount of \$450,000. The proceeds of this loan were used to construct a sewer system lift station. The City paid interest only payments at a rate of 4.5% on the principal amount on a monthly basis commencing June 19, 2008 until the completion of construction. Thereafter, the City is paying 180 equal monthly principal and interest payments on the principal amount, as reduced by each monthly payment at a continued 4.5% interest rate. This loan is secured by pledged Half-Cent Sales Tax revenues. Future debt service requirements are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2010	\$ 22,531	\$ 18,779	\$ 41,310
2011	23,568	17,742	41,310
2012	24,653	16,657	41,310
2013	25,787	15,522	41,309
2014	26,974	14,335	41,309
2015-2019	154,677	51,871	206,548
2020-2023	141,916	26,765	168,681
	<u>\$ 420,106</u>	<u>\$ 161,671</u>	<u>\$ 581,777</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2008	Due Within One Year
Bonds payable	\$ 1,372,000	\$ -	\$ 41,000	\$ 1,331,000	\$ 42,000
Loans payable	438,275	-	18,169	420,106	22,531
	<u>\$ 1,810,275</u>	<u>\$ -</u>	<u>\$ 59,169</u>	<u>\$ 1,751,106</u>	<u>\$ 64,531</u>

NOTE 11. RETIREMENT PROGRAMS

Florida Retirement System

Most employees working in regularly established positions of the City are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapter 121 and 122, *Florida Statutes*, Chapter 112, Part IV, *Florida Statutes*, Chapter 238, *Florida Statutes*, and Florida Retirement System Rules, Chapter 605, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provisions, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, *Florida Statutes*, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class or Plan	Percent of Gross Salary (A)
Florida Retirement System, Regular	9.85%
Florida Retirement System, Special Risk	20.92%
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	10.97%
Florida Retirement System, Reemployed Retiree	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which

The City's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the City. The City's contributions for the fiscal years ended September 30, 2007, September 30, 2008, and September 30, 2009 totaled \$51,406, \$48,123, and \$43,057, respectively, which were equal to the required contributions for each fiscal year.

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

NOTE 12. ECONOMIC DEPENDENCY

The State of Florida, Department of Corrections, Lake Butler Reception and Medical Center (RMC) is a major utility customer of the City. For the year ended September 30, 2009, the RMC facility accounted for approximately 55% of the City's sewer revenues and 32% of its water revenues. The City and the Florida Department of Corrections have a long-term agreement whereby the City would provide water supply for a minimum of twenty years, and waste water treatment services for a minimum of forty years, to the RMC facility.

NOTE 13. RISK MANAGEMENT

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

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

NOTE 14. CONTINGENT LIABILITIES

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

The United States Department of Agriculture (USDA) is currently seeking reimbursement from the City of previously-awarded Rural Development Grant monies of \$106,500 given to the City for improvements to a building owned by the City. The City subsequently sold the building to a local childcare provider. The USDA contends that the grant money should not have been utilized to make improvements on a property that the City intended to sell. The City believes that the use of the grant funding was consistent with the intent of the grant program, namely development of rural property. In the current year, the USDA agreed to settle with the City for \$93,559. The City and USDA are currently negotiating these issues. In light of the possibility that the City may have to return these funds, the City has provided for a reserved fund balance of \$93,559 in the Tillis Building Fund. Subsequent to year end, the City remitted this sum to USDA.

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

NOTE 15. PRIOR PERIOD ADJUSTMENT

The City has recorded a prior period adjustment of \$160,000 to add the Depot Station Building and Improvements to the City's governmental capital assets. This structure and its improvements were inadvertently excluded from the City's capital asset records in prior years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE BUTLER, FLORIDA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Advalorem taxes				
Current	\$ 77,436	\$ 68,165	\$ 68,153	\$ (12)
Sales and use taxes				
Local option gas tax/ alternative fuel	41,000	37,000	37,306	306
Discretionary sales tax	97,000	82,796	82,795	(1)
Franchise fees				
Electricity	132,000	146,726	146,726	-
Utility service taxes				
Electricity	28,000	27,867	27,867	-
Gas	4,900	3,619	3,830	211
Communications services tax	158,000	118,790	118,791	1
Total taxes	<u>538,336</u>	<u>484,963</u>	<u>485,468</u>	<u>505</u>
Licenses and permits				
Professional and occupational				
City occupational licenses	23,000	7,500	9,237	1,737
Union County licenses	1,600	1,411	1,416	5
Other licenses and permits	4,500	6,133	8,134	2,001
Total licenses and permits	<u>29,100</u>	<u>15,044</u>	<u>18,787</u>	<u>3,743</u>
Intergovernmental				
Federal grants				
Public safety				
Fire grant	-	6,726	-	6,726
Physical environment				
FEMA	-	-	12,822	12,822
Federal payments in lieu of taxes				
Union County Housing Authority	5,000	6,500	6,508	8

CITY OF LAKE BUTLER, FLORIDA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
State grants				
Parks and recreation				
FRDAP	\$ -	\$ -	\$ 21,053	\$ 21,053
Physical environment				
FEMA	-	-	4,079	4,079
State shared revenues				
General government				
State revenue sharing	-	56,350	56,358	8
Municipal gas tax	93,500	22,616	22,616	-
Mobile home licenses	1,450	1,000	1,010	10
Alcoholic beverage licenses	450	783	783	-
Local government half-cent sales tax	52,000	39,634	39,634	-
Total intergovernmental	<u>152,400</u>	<u>133,609</u>	<u>164,863</u>	<u>31,255</u>
Charges for services				
Public safety				
Fire protection fees	4,000	4,000	4,000	-
Transportation				
Street maintenance	45,474	44,312	44,312	-
Other transportation receipts	100	15	15	-
Total charges for services	<u>49,574</u>	<u>48,327</u>	<u>48,327</u>	<u>-</u>
Miscellaneous				
Interest	8,000	1,824	1,885	61
Rents and royalties				
Community Center	16,500	12,000	12,140	140
Other rentals	3,900	3,720	3,920	200
Other miscellaneous				
Other	4,054	60,720	32,454	28,266
Total miscellaneous	<u>32,454</u>	<u>78,264</u>	<u>50,399</u>	<u>(27,865)</u>
Total revenues	<u>801,864</u>	<u>760,207</u>	<u>767,844</u>	<u>7,637</u>

CITY OF LAKE BUTLER, FLORIDA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2009

EXPENDITURES

General government

Legislative

Personal services	\$ 57,769	\$ 57,922	\$ 58,056	\$ (134)
Operating expenses	5,200	5,000	3,196	1,804
Total legislative	<u>62,969</u>	<u>62,922</u>	<u>61,252</u>	<u>1,670</u>

Executive

Personal services	47,516	47,813	48,029	(216)
Operating expenses	5,500	9,080	9,270	(190)
Total executive	<u>53,016</u>	<u>56,893</u>	<u>57,299</u>	<u>(406)</u>

Financial and administrative

Personal services	35,762	37,019	37,131	(112)
Operating expenses	81,426	73,979	66,335	7,644
Capital outlay	3,000	-	-	-
Total financial and administrative	<u>120,188</u>	<u>110,998</u>	<u>103,467</u>	<u>7,531</u>

Legal counsel

Operating expenses	13,000	14,000	13,068	932
	<u>13,000</u>	<u>14,000</u>	<u>13,068</u>	<u>932</u>

Other general government

Operating expenses	12,000	19,000	16,700	2,300
Total general government	<u>261,173</u>	<u>263,813</u>	<u>251,785</u>	<u>12,028</u>

Public safety

Law enforcement

Operating expenses	50,000	50,000	50,000	-
Total law enforcement	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>

Fire control

Personal services	11,848	11,849	9,480	2,369
Operating expenses	18,550	26,650	26,575	75
Capital outlay	12,500	-	-	-
Total fire control	<u>42,898</u>	<u>38,499</u>	<u>36,055</u>	<u>2,444</u>

Other public safety

Personal services	24,032	21,532	20,326	1,206
Total public safety	<u>116,930</u>	<u>110,031</u>	<u>106,381</u>	<u>3,650</u>

CITY OF LAKE BUTLER, FLORIDA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Transportation				
Roads and streets				
Personal services	\$ 135,977	\$ 139,274	\$ 131,042	\$ 8,232
Operating expenses	53,983	99,312	100,406	(1,094)
Capital outlay	4,000	5,000	-	5,000
Total transportation	<u>193,960</u>	<u>243,586</u>	<u>231,448</u>	<u>12,138</u>
Human services				
Animal control				
Personal services	3,636	3,636	3,631	5
Operating expenses	4,200	6,461	8,510	(2,049)
Capital outlay	-	2,000	-	2,000
Total human services	<u>7,836</u>	<u>12,097</u>	<u>12,141</u>	<u>(44)</u>
Culture/recreation				
Parks and recreation				
Personal services	47,233	47,062	44,352	2,710
Operating expenses	61,150	67,800	63,986	3,814
Capital outlay	8,000	1,175	-	1,175
Grants and aids	13,000	13,600	13,600	-
Total culture and recreation	<u>129,383</u>	<u>129,637</u>	<u>121,938</u>	<u>7,699</u>
Total expenditures	<u>709,282</u>	<u>759,164</u>	<u>723,693</u>	<u>35,471</u>
Excess of revenues over (under) expenditures	92,582	1,043	44,151	43,108
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	40,000	78,577	91,781	13,204
Interfund transfers out	(50,000)	(50,000)	91,228	(41,228)
	<u>(10,000)</u>	<u>28,577</u>	<u>553</u>	<u>(28,024)</u>
Net change in fund balance	82,582	29,620	44,704	(15,084)
Fund balance at beginning of year	475,439	475,439	475,439	-
Fund balance at end of year	<u>\$ 558,021</u>	<u>\$ 505,059</u>	<u>\$ 520,143</u>	<u>\$ 15,084</u>

CITY OF LAKE BUTLER, FLORIDA

DOWNTOWN REDEVELOPMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Advalorem taxes				
Current	\$ 56,000	\$ 57,665	\$ 57,665	\$ -
Miscellaneous				
Interest	2,000	-	-	-
Total revenues	<u>58,000</u>	<u>57,665</u>	<u>57,665</u>	<u>-</u>
EXPENDITURES				
Economic environment				
Housing and urban development				
Operating expenses	<u>2,000</u>	<u>14,230</u>	<u>12,844</u>	<u>1,386</u>
Excess of revenues over expenditures	<u>56,000</u>	<u>43,435</u>	<u>44,821</u>	<u>1,386</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	10,180	10,180
Interfund transfers out	<u>(61,000)</u>	<u>(83,770)</u>	<u>(84,869)</u>	<u>(1,099)</u>
	<u>(61,000)</u>	<u>(83,770)</u>	<u>(74,689)</u>	<u>9,081</u>
Net change in fund balances	5,000	(40,335)	(29,868)	10,466
Fund balance at beginning of year	<u>183,694</u>	<u>183,694</u>	<u>183,694</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 178,694</u></u>	<u><u>\$ 143,359</u></u>	<u><u>\$ 153,826</u></u>	<u><u>\$ 10,466</u></u>

CITY OF LAKE BUTLER, FLORIDA

STREET IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous				
Interest	\$ 2,000	\$ -	\$ -	\$ -
Total revenues	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Transportation				
Operating expenses	102,000	87,800	950	86,850
Capital outlay	-	-	86,809	(86,809)
	<u>102,000</u>	<u>87,800</u>	<u>87,759</u>	<u>41</u>
Excess of revenues over (under) expenditures	<u>(100,000)</u>	<u>(87,800)</u>	<u>(87,759)</u>	<u>41</u>
OTHER FINANCING SOURCES				
Interfund transfers in	<u>111,000</u>	<u>111,000</u>	<u>111,000</u>	<u>-</u>
Net change in fund balance	11,000	23,200	23,241	41
Fund balance at beginning of year	<u>166,422</u>	<u>166,422</u>	<u>166,422</u>	<u>-</u>
Fund balance at end of year	<u>\$ 177,422</u>	<u>\$ 189,622</u>	<u>\$ 189,663</u>	<u>\$ 41</u>

CITY OF LAKE BUTLER, FLORIDA
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Total expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance at beginning of year	91	91	91	-
Fund balance at end of year	<u>\$ 91</u>	<u>\$ 91</u>	<u>\$ 91</u>	<u>\$ -</u>

COMBINING STATEMENTS

CITY OF LAKE BUTLER, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

September 30, 2009

	Special Revenue <u>Tillis Building</u>	Capital Projects <u>Trailhead Park</u>	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash	\$ 131,231	\$ 114	\$ 131,345
Due from other funds	443	-	443
Total assets	<u>\$ 131,674</u>	<u>\$ 114</u>	<u>\$ 131,788</u>
LIABILITIES AND FUND BALANCES			
FUND BALANCES			
Reserved	93,559	-	93,559
Unreserved	38,115	114	38,229
Total fund balances	<u>131,674</u>	<u>114</u>	<u>131,788</u>
Total liabilities and fund balances	<u>\$ 131,674</u>	<u>\$ 114</u>	<u>\$ 131,788</u>

CITY OF LAKE BUTLER, FLORIDA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2009

	Special Revenue <u>Tillis Building</u>	Capital Projects <u>Trailhead Park</u>	Nonmajor Governmental <u>Funds</u>
REVENUES			
Miscellaneous			
Rents and royalties	\$ 25,444	\$ -	\$ 25,444
Total revenues	<u>25,444</u>	<u>-</u>	<u>25,444</u>
EXPENDITURES			
General government			
Other general government			
Operating expenses	6,852	-	6,852
Capital outlay	18,553	-	18,553
Culture/recreation			
Parks and recreation			
Operating expenses	-	15,711	15,711
Total expenditures	<u>25,405</u>	<u>15,711</u>	<u>41,116</u>
Excess of revenues over expenditures	39	(15,711)	(15,672)
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	17,587	17,587
Interfund transfers out	(1,328)	(1,763)	(3,091)
	<u>(1,328)</u>	<u>15,824</u>	<u>14,496</u>
Net change in fund balances	(1,289)	113	(1,176)
Fund balances at beginning of year	132,963	1	132,964
Fund balances at end of year	<u>\$ 131,674</u>	<u>\$ 114</u>	<u>\$ 131,788</u>

COMPLIANCE SECTION

CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For The Fiscal Year Ended September 30, 2009

Federal and State Grantor/Pass Through Grantor Program Title	CFDA#	GRANT #	PROGRAM OR AWARD AMOUNT	REPORTED IN PRIOR YEARS	DEFERRED IN PRIOR YEARS	REVENUES RECOGNIZED	EXPENDITURES	DEFERRED REVENUES 9/30/2009
FEDERAL AWARDS								
<i>NONMAJOR PROGRAMS</i>								
<i>US Department of Homeland Security</i>								
<i>Passed through the Florida Division of Emergency Management</i>								
FEMA Disaster Assistance	97.036	08-PA-B9-03-73-13-618	\$ 25,159	\$ -	\$ -	\$ 25,159	\$ 25,159	\$ -
Total federal awards			<u>\$ 25,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,159</u>	<u>\$ 25,159</u>	<u>\$ -</u>
 STATE FINANCIAL ASSISTANCE								
<i>NONMAJOR PROGRAMS</i>								
<i>Department of Environmental Protection</i>								
Florida Recreation Development Assistance Program (FRDAP)	37.017	F7032	\$ 200,000	\$ 178,947	\$ -	\$ 21,053	\$ 21,053	\$ -
<i>Division of Emergency Management</i>								
FEMA Disaster Assistance	97.036	08-PA-B9-03-73-13-618	4,079	-	-	4,079	4,079	-
Total state assistance			<u>\$ 204,079</u>	<u>\$ 178,947</u>	<u>\$ -</u>	<u>\$ 25,132</u>	<u>\$ 25,132</u>	<u>\$ -</u>
Total federal awards and state financial assistance			<u>\$ 229,238</u>	<u>\$ 178,947</u>	<u>\$ -</u>	<u>\$ 50,291</u>	<u>\$ 50,291</u>	<u>\$ -</u>

CITY OF LAKE BUTLER, FLORIDA

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

For the Fiscal Year Ended September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Accounting

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

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

C. Grant Awards

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the basic financial statements of the City of Lake Butler, Florida, as of and for the year ended September 30, 2009, and have issued our report thereon dated November 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting – Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Financial Statement Preparation

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists when the City does not have the expertise necessary to prevent, detect, and correct misstatements. A control deficiency exists in instances where the City is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

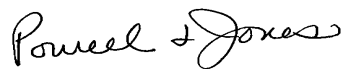
A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters – As part of obtaining reasonable assurance about whether the City of Lake Butler, Florida's basic 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 determination of financial statement amounts. However, providing an opinion on compliance and other matters with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the City of Lake Butler, Florida in a separate letter dated November 23, 2009 on pages 61 - 62.

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



POWELL & JONES
November 23, 2009

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the City of Lake Butler, Florida, for the year ended September 30, 2009, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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

PRIOR YEAR FINDINGS

All prior year findings were substantially corrected during the current year.

CURRENT YEAR FINDINGS

Employee Taxable Fringe Benefits – During our audit we found that certain City employees assigned City vehicles utilize these vehicles to commute between their residences and workstations. Although such use is allowable under Florida law, it constitutes taxable benefits under applicable Internal Revenue Service regulations. Although the amounts involved are not large, we recommend that the City take necessary steps to fully comply with Internal Revenue Service regulations regarding taxable fringe benefits.

AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of Lake Butler, for the fiscal year ended September 30, 2009.

Investment of Public Funds - The City complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the fiscal year.

Financial Emergency Status - Nothing came to our attention that caused us to believe that the City had met any of the conditions described in Section 218.503(1)(a), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(7)(c) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition

assessment was based in part on representations made by management and the review of financial information they provided.

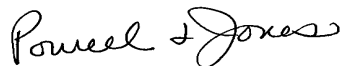
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the City of Lake Butler, Florida, for the year ended September 30, 2009, as provided in the audit requirements for USDA-Rural Development borrowers.

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

CONCLUSION

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



POWELL & JONES
Certified Public Accountants
November 23, 2009

CITY OF LAKE BUTLER

**200 SW 1st STREET
LAKE BUTLER, FLORIDA 32054
(386) 496-3401 (v)**

MANAGEMENT RESPONSE TO FINDING

**The City will comply with IRS guidelines
pertaining to
use of vehicles traveling to and from work.**