

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2008

CITY OF LAKE BUTLER, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2008

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## INTRODUCTORY SECTION

CITY OF LAKE BUTLER, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2008

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

## FINANCIAL STATEMENTS

## 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, 2008, 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, 2008, 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 7, 2008, 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 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 7, 2008

## 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, 2008

	Governmental Activities	Business-type Activities	Total Government	
			2008	2007
<b>Assets</b>				
Cash and investments	\$ 965,864	\$ 514,167	\$ 1,480,031	\$ 1,012,644
Other assets	13,114	96,476	109,590	171,727
Capital assets	1,504,775	3,330,521	4,835,296	4,970,622
Total assets	<u>2,483,753</u>	<u>3,941,164</u>	<u>6,424,917</u>	<u>6,154,993</u>
<b>Liabilities</b>				
Current liabilities	21,783	149,999	171,782	202,757
Long term liabilities	16,270	1,767,756	1,784,026	1,615,363
Total liabilities	<u>38,053</u>	<u>1,917,755</u>	<u>1,955,808</u>	<u>1,818,120</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	1,504,775	1,520,247	3,025,022	3,275,277
Restricted	106,500	106,424	212,924	14,650
Restricted - redevelopment	183,693	-	183,693	135,781
Unrestricted	650,732	396,738	1,047,470	911,165
Total net assets	<u>\$ 2,445,700</u>	<u>\$ 2,023,409</u>	<u>\$ 4,469,109</u>	<u>\$ 4,336,873</u>

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 \$183,693 in the community redevelopment program, \$106,500 in the Tillis Building Fund and \$106,424 in the City's Proprietary Fund.

The City's net assets increased \$132,236 over the year. This increase is primarily due to increased general revenues.

The following schedule provides a summary of the changes in net assets. The increase in Governmental Activities net assets is due primarily to the increased general revenues received by the City. The increase during the year through Business-type Activities net assets is due to loan proceeds in cash required for the sewer lift station project.

A condensed version of the Statement of Activities follows:

**Change in Net Assets**  
For the Fiscal Year Ended September 30, 2008

	Governmental	Business-type	Total Government	
	Activities	Activities	2008	2007
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 49,754	\$ 1,017,930	\$ 1,067,684	\$ 961,277
Grants and contributions	228,422	-	228,422	293,501
General revenues				
Taxes	362,510	-	362,510	359,901
Franchise fees	139,780	-	139,780	139,336
Licenses and permits	36,920	-	36,920	20,339
State shared revenues	194,425	-	194,425	244,554
Interest and other	41,141	298,504	339,645	55,240
Rents and royalties	23,941	4,290	28,231	73,670
Sale of surplus assets	23,276	-	23,276	81,750
Total revenues	<u>1,100,169</u>	<u>1,320,724</u>	<u>2,420,893</u>	<u>2,229,568</u>
<b>Expenses</b>				
General government	359,878	-	359,878	330,556
Public safety	137,002	-	137,002	107,359
Transportation	237,210	-	237,210	230,265
Economic environment	1,497	-	1,497	23,618
Human services	14,278	-	14,278	5,504
Culture/recreation	328,141	-	328,141	144,611
Interest on long-term debt	8,764	66,504	75,268	86,904
Water	-	340,012	340,012	302,086
Garbage services	-	126,693	126,693	116,592
Sewer	-	668,677	668,677	731,665
Total expenses	<u>1,086,770</u>	<u>1,201,886</u>	<u>2,288,656</u>	<u>2,079,160</u>
Transfers in (out)	11,548	(11,548)	-	-
Change in net assets	24,947	107,290	132,237	150,408
Beginning net assets	2,420,753	1,916,119	4,336,872	4,308,604
Prior period adjustment	-	-	-	(122,138)
Ending net assets	<u>\$ 2,445,700</u>	<u>\$ 2,023,409</u>	<u>\$ 4,469,109</u>	<u>\$ 4,336,873</u>

Governmental activities:

Taxes provide 33% of the revenues for Governmental Activities, while grants provide 21%. Most of the Governmental Activities resources are spent for General Government (33%), Culture/recreation (30%), and Transportation (22%).

Business-type activities:

Business-type activities increased the City's net assets by \$107,290. This increase is primarily due to the loan proceeds drawn down on the sewer lift station project.

## Budgetary Highlights

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

## Capital Assets and Debt Administration

### Capital Assets

At September 30, 2008, the City had \$4.83 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 \$134,696 or 3% less than last year. This decrease was primarily attributable to the sale of real property located on the Tillis industrial property.

### Capital Assets at September 30, 2008

	Governmental		Business-type		Totals	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	\$ 84,551	\$ 84,551	\$ 541,813	\$ 541,813	\$ 626,364	\$ 626,364
Buildings	1,370,449	1,810,449	135,000	135,000	1,505,449	1,945,449
Improvements	375,000	375,000	5,048,461	5,031,494	5,423,461	5,406,494
Equipment	653,163	605,971	238,143	238,143	891,306	844,114
Construction in progress	-	-	467,403	-	467,403	-
Subtotal	2,483,163	2,875,971	6,430,820	5,946,450	8,913,983	8,822,421
Accumulated depreciation	(978,388)	(1,043,154)	(3,100,299)	(2,808,646)	(4,078,687)	(3,851,799)
Capital assets, net	<u>\$ 1,504,775</u>	<u>\$ 1,832,817</u>	<u>\$ 3,330,521</u>	<u>\$ 3,137,804</u>	<u>\$ 4,835,296</u>	<u>\$ 4,970,622</u>

### Debt Outstanding

At year-end, the City had \$1,847,810 in debt outstanding versus \$1,730,018 last year, an increase of \$117,792.

### Debt Outstanding at September 30, 2008

	Governmental		Business-type		Totals	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Revenue bonds	\$ -	\$ -	\$ 1,372,000	\$ 1,420,000	\$ 1,372,000	\$ 1,420,000
Loan payable	-	224,138	438,275	51,207	438,275	275,345
	-	224,138	1,810,275	1,471,207	1,810,275	1,695,345
Compensated absences	17,685	17,511	19,850	17,162	37,535	34,673
Total	<u>\$ 17,685</u>	<u>\$ 241,649</u>	<u>\$ 1,830,125</u>	<u>\$ 1,488,369</u>	<u>\$ 1,847,810</u>	<u>\$ 1,730,018</u>

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

## OTHER FINANCIAL INFORMATION

### Economic Factors and Rates

- The current unemployment rate for Union County was 5.1%. This rate represents a 0.9% increase over the prior year rate of 4.2%.
- The official population for the City in 2008 was 1,985 and is estimated to be approximately the same in 2009.
- The ad valorem tax rate for the City was 2.25 mills in 2008.

### 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, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 965,864	\$ 407,742	\$ 1,373,606
Accounts receivable - net	-	82,859	82,859
Due from other governmental units	9,064	12,050	21,114
Due from other funds	-	1,567	1,567
<b>Total current assets</b>	<b>974,928</b>	<b>504,219</b>	<b>1,479,146</b>
Noncurrent assets			
Restricted assets			
Cash	-	106,055	106,055
Cash with paying agent	-	369	369
<b>Total restricted assets</b>	<b>-</b>	<b>106,424</b>	<b>106,424</b>
Capital assets - net	1,504,775	3,330,521	4,835,296
<b>Total assets</b>	<b>\$ 2,479,703</b>	<b>\$ 3,941,164</b>	<b>\$ 6,420,867</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable	\$ 11,193	\$ 2,781	\$ 13,974
Accrued liabilities	1,874	1,604	3,478
Sales tax payable	1,684	-	1,684
Performance bond payable	-	15,000	15,000
Due to other governmental units	-	-	-
Due to other funds	1,567	-	1,567
Notes payable, current	-	19,781	19,781
Accrued compensated absences	1,415	1,589	3,004
<b>Total current liabilities (payable from current assets)</b>	<b>17,733</b>	<b>40,754</b>	<b>58,488</b>
Current liabilities (payable from restricted assets)			
Accrued interest payable	-	6,986	6,986
Deposits	-	61,259	61,259
Current portion serial bonds	-	41,000	41,000
<b>Total current liabilities (payable from restricted assets)</b>	<b>-</b>	<b>109,245</b>	<b>109,245</b>
Other liabilities			
Accrued leave payable	16,270	18,262	34,532
Noncurrent liabilities			
Note payable	-	418,493	418,493
Serial bonds payable	-	1,331,000	1,331,000
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>1,749,493</b>	<b>1,749,493</b>
<b>Total liabilities</b>	<b>34,003</b>	<b>1,917,755</b>	<b>1,951,758</b>

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA**  
**STATEMENT OF NET ASSETS**  
September 30, 2008

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	\$ 1,504,775	\$ 1,520,247	\$ 3,025,022
Restricted	106,500	106,424	212,924
Restricted - redevelopment	183,693	-	183,693
Unrestricted	650,732	396,738	1,047,470
<b>Total net assets</b>	<b>2,445,700</b>	<b>2,023,409</b>	<b>4,469,109</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,479,703</b>	<b>\$ 3,941,164</b>	<b>\$ 6,420,867</b>



**CITY OF LAKE BUTLER, FLORIDA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**September 30, 2008**

	Special Revenue Funds			Capital Project Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Downtown Development	Street Improvement	Community Development Block Grant		
<b>ASSETS</b>						
<b>Current assets</b>						
Cash	\$ 482,496	\$ 183,078	\$ 165,882	\$ 91	\$ 134,318	\$ 965,864
Due from other funds	2,451	615	540	-	443	4,050
Due from other governmental units	6,726	-	-	-	2,338	9,064
<b>Total assets</b>	<b><u>\$ 491,673</u></b>	<b><u>\$ 183,693</u></b>	<b><u>\$ 166,422</u></b>	<b><u>\$ 91</u></b>	<b><u>\$ 137,099</u></b>	<b><u>\$ 978,978</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 11,193	\$ -	\$ -	\$ -	\$ -	\$ 11,193
Due to other funds	3,166	-	-	-	2,451	5,617
Due to other governmental units	-	-	-	-	-	-
Sales tax payable	-	-	-	-	1,684	1,684
Accrued liabilities	1,874	-	-	-	-	1,874
<b>Total liabilities</b>	<b><u>16,233</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,135</u></b>	<b><u>20,368</u></b>
<b>FUND BALANCES</b>						
Reserved	-	183,694	-	-	106,500	290,194
Unreserved	475,439	-	166,422	91	26,464	668,416
<b>Total fund balances</b>	<b><u>475,439</u></b>	<b><u>183,694</u></b>	<b><u>166,422</u></b>	<b><u>91</u></b>	<b><u>132,964</u></b>	<b><u>\$ 958,610</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 491,672</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 166,422</u></b>	<b><u>\$ 91</u></b>	<b><u>\$ 30,600</u></b>	

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	1,504,775
Long-term liabilities are not due in the current period and, therefore, are not reported in the funds	(17,685)
	<u>\$2,445,700</u>

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended September 30, 2008**

	Special Revenue Funds			Capital Project Fund		Total Governmental Funds
	General Fund	Downtown Development	Street Improvement	Community Development Block Grant	Other Governmental Funds	
<b>REVENUES</b>						
Taxes	\$ 497,630	\$ 55,879	\$ -	\$ -	\$ -	\$ 553,509
Licenses and permits	36,920	-	-	-	-	36,920
Intergovernmental	159,931	-	-	-	211,696	371,627
Charges for services	44,150	-	-	-	-	44,150
Miscellaneous	56,693	3,238	2,304	-	8,452	70,687
<b>Total revenue</b>	<b>795,324</b>	<b>59,117</b>	<b>2,304</b>	<b>-</b>	<b>220,148</b>	<b>1,076,892</b>
<b>EXPENDITURES</b>						
<b>Current expenditures</b>						
General government	280,146	-	-	-	52,750	332,896
Public safety	110,287	-	-	-	-	110,287
Transportation	229,633	-	-	-	-	229,633
Economic environment	-	1,497	-	-	-	1,497
Human services	14,278	-	-	-	-	14,278
Culture/recreation	104,869	-	-	-	166,006	270,875
<b>Capital outlay</b>						
General government	1,429	-	-	-	-	1,429
Public safety	38,783	-	-	-	-	38,783
Transportation	6,980	-	-	-	-	6,980
<b>Debt service</b>						
General government	228,371	-	-	-	-	228,371
Transportation	4,532	-	-	-	-	4,532
<b>Grants and aids</b>						
Culture/recreation	2,000	-	-	-	-	2,000
<b>Total expenditures</b>	<b>1,021,308</b>	<b>1,497</b>	<b>-</b>	<b>-</b>	<b>218,756</b>	<b>1,241,561</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(225,984)</b>	<b>57,620</b>	<b>2,304</b>	<b>-</b>	<b>1,392</b>	<b>164,668</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of real property	-	-	-	-	282,144	282,144
Interfund transfers in	315,343	-	50,000	-	727	366,070
Interfund transfers out	(50,727)	(9,707)	-	-	(294,088)	(354,522)
<b>Total other financing sources (uses)</b>	<b>264,616</b>	<b>(9,707)</b>	<b>50,000</b>	<b>-</b>	<b>(11,217)</b>	<b>293,692</b>
<b>Net change in fund balances</b>	<b>38,632</b>	<b>47,913</b>	<b>52,304</b>	<b>-</b>	<b>(9,825)</b>	<b>129,024</b>
Fund balances at beginning of year	436,807	135,781	114,118	91	142,789	829,586
<b>Fund balances at end of year</b>	<b>\$ 475,439</b>	<b>\$ 183,694</b>	<b>\$ 166,422</b>	<b>\$ 91</b>	<b>\$ 132,964</b>	<b>\$ 958,610</b>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

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

For the Fiscal Year Ended September 30, 2008

Net change in fund balances - total governmental funds		\$	129,024
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	47,192		
Less current year depreciation	<u>(116,367)</u>		
			(69,175)
Governmental funds report sales of fixed assets as a gross revenue. In the statement of activities, the gross revenue from a sale of fixed assets is converted to a gain (or loss) from the sale of fixed assets by factoring in the original cost of the asset minus the accumulated depreciation.			
Gain on sale of fixed assets			(258,867)
Repayment of notes are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
Note principal payments			224,138
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>(173)</u>
Change in net assets of governmental activities		\$	<u><u>24,947</u></u>

See notes to financial statements.

**CITY OF LAKE BUTLER, FLORIDA**

**PROPRIETARY FUND TYPE  
STATEMENT OF NET ASSETS  
September 30, 2008**

<b>ASSETS</b>	<u>Enterprise Fund</u>
<b>Current assets</b>	
Cash	\$ 407,742
Accounts receivable	119,652
Allowance for doubtful accounts	(36,792)
Due from other governmental units	12,050
Due from other funds	1,567
<b>Total current assets</b>	<u>504,219</u>
<b>Noncurrent assets</b>	
<b>Restricted assets</b>	
Cash	106,055
Cash with paying agent	369
<b>Total restricted assets</b>	<u>106,424</u>
<b>Fixed assets</b>	
Land	541,813
Improvements other than buildings	5,183,461
Equipment	238,143
Construction in progress	467,403
Allowance for depreciation	(3,100,299)
<b>Total fixed assets</b>	<u>3,330,521</u>
<b>Total assets</b>	<u>\$ 3,941,164</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 2,781
Accrued liabilities	1,604
Performance bond payable	15,000
Current portion of loan payable	23,224
Accrued compensated absences	1,588
<b>Total current liabilities</b>	<u>44,197</u>
<b>Noncurrent liabilities</b>	
<b>Current liabilities payable from restricted assets</b>	
Accrued interest payable	6,986
Deposits	61,259
Current portion serial bonds	41,000
<b>Total current liabilities from restricted assets</b>	<u>109,245</u>
<b>Other liabilities</b>	
Accrued leave payable	18,262
<b>Long-term liabilities</b>	
Loan payable	415,051
Serial bonds payable	1,331,000
<b>Total long-term liabilities</b>	<u>1,746,051</u>
<b>Total liabilities</b>	<u>1,917,755</u>
<b>NET ASSETS</b>	
Invested in capital assets net of related debt	1,520,247
Restricted	106,424
Unrestricted	396,738
<b>Total net assets</b>	<u>2,023,409</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,941,164</u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
 For the Fiscal Year Ended September 30, 2008

	Enterprise Fund
<b>OPERATING REVENUES</b>	
Charges for services	
Water utility services	\$ 311,532
Garbage solid waste services	154,260
Sewer utility services	535,768
Water tap in and connection	4,144
Cut on/off fees	12,226
Miscellaneous	
Other	31,248
<b>Total operating revenues</b>	<b>1,049,179</b>
 <b>OPERATING EXPENSES</b>	
Water services	
Personal services	
Executive salaries	24,570
Regular salaries	103,282
Other salaries and wages	1,673
FICA	9,101
Retirement	13,184
Life and health insurance	960
Worker's compensation	5,497
<b>Total personal services</b>	<b>158,267</b>
Operating expenses	
Professional services	1,414
Accounting and auditing	1,738
Books, publications and subscriptions	1,605
Other contractual services	8,489
Uniforms	2,711
Chemicals	4,383
Depreciation	70,715
Communications	5,294
Utilities	26,411
Insurance	12,448
Repairs and maintenance	14,292
Other current charges and obligations	7,916
Postage	1,229
Operating supplies	13,400
Vehicle supplies	9,699
<b>Total operating expenses</b>	<b>181,745</b>
 <b>Total water services</b>	<b>340,012</b>

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
 For the Fiscal Year Ended September 30, 2008

Garbage and solid waste services	
Operating expenses	
Other contractual services	\$ 120,994
Repair and maintenance	-
Operating supplies	2,238
Vehicle supplies	3,461
Total operating expenses	<u>126,693</u>
Total garbage and solid waste services	<u>126,693</u>
Sewer services	
Personal services	
Regular salaries	115,948
Other salaries and wages	1,673
FICA	8,372
Life and health insurance	1,063
Retirement	12,086
Worker's compensation	6,479
Total personal services	<u>145,621</u>
Operating expenses	
Professional services	35,140
Accounting and auditing	5,097
Other contractual services	16,676
Uniforms	1,712
Chemicals	13,326
Depreciation	220,140
Communications	5,322
Utilities	100,423
Insurance	24,851
Repairs and maintenance	57,909
Other current charges and obligations	3,749
Postage	1,230
Operating supplies	10,798
Books, publications and subscriptions	441
Vehicle supplies	14,549
Environmental assessment fees	11,694
Total operating expenses	<u>523,056</u>
Total sewer services	<u>668,677</u>
Total operating expenses	<u>1,135,382</u>
Operating income (loss)	(86,203)

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
For the Fiscal Year Ended September 30, 2008

<b>NONOPERATING REVENUES (EXPENSES)</b>	
Local project reimbursements	\$ 264,447
Interest income	2,808
Rents and royalties	4,290
Interest expense	<u>(66,504)</u>
Total nonoperating revenues (expenses)	<u>205,041</u>
Income before operating transfers	118,838
<b>OPERATING TRANSFERS</b>	
Interfund transfers in	80,555
Interfund transfers out	<u>(92,103)</u>
	<u>(11,548)</u>
Net income	107,290
Net assets, beginning of year	<u>1,916,119</u>
Net assets, end of year	<u>\$ 2,023,409</u>

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE  
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2008

	<u>Enterprise Fund</u>
<b>CASH FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 1,009,814
Miscellaneous receipts	31,248
Cash payments for goods and services	(545,729)
Cash payments to employees	(301,200)
Net cash provided by operating activities	<u>194,133</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of property and equipment	(16,967)
Construction in progress expenses	(467,403)
Loan proceeds	438,275
Local project reimbursements	264,447
Principal paid on revenue bonds	(48,000)
Principal paid on loan payable	(51,207)
Proceeds of sprayfield lease	4,290
Net transfers in/out from governmental funds	(11,548)
Interest paid	(66,504)
Net cash provided by capital and related financing activities	<u>45,383</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest investments	<u>2,808</u>
Net cash provided by investing activities	<u>2,808</u>
Net increase in cash and cash equivalents	242,324
Cash and cash equivalents, beginning of year	<u>271,842</u>
Cash and cash equivalents, end of year	<u><u>\$ 514,166</u></u>

(continued)

CITY OF LAKE BUTLER, FLORIDA

PROPRIETARY FUND TYPE  
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2008

	<u>Enterprise Fund</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	<u>\$ (86,203)</u>
Adjustments to reconcile operating loss to net provided by operating activities:	
Depreciation	290,855
Change in operating assets - decrease (increase) and operating liabilities - increase (decrease)	
Accounts receivable	(8,117)
Other receivables	(12,050)
Accounts payable	(12,921)
Accrued liabilities	251
Performance bond liability	15,000
Customer deposits	4,630
Accrued leave payable	2,688
	<u>280,336</u>
Net cash provided by operating activities	<u><u>\$ 194,133</u></u>

See notes to financial statements.

CITY OF LAKE BUTLER, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**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 noncurrent 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 the 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** - 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 noncurrent 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, 2008, 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, 2008, this allowance account totaled \$36,792; 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, 2008.
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:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Machinery and equipment	5 - 10
Street and related infrastructure	20 - 40

9. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the City did not have any capitalized interest.
10. **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 \$958,610 differs from “net assets” of governmental activities \$2,445,700 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	\$ 2,483,163
Accumulated depreciation	(978,388)
Total	<u>\$ 1,504,775</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, 2008, were:

Compensated absences	<u>\$ (17,685)</u>
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Elimination of interfund receivables/payable

Interfund receivables and payables in the amount of \$4,050 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
<b>ASSETS</b>					
Cash and cash equivalents	\$ 965,864	\$ -	\$ -	\$ -	\$ 965,864
Due from other funds	4,050	-	-	(4,050)	-
Due from other governmental units	9,064	-	-	-	9,064
Capital assets - net	-	1,504,775	-	-	1,504,775
Total assets	<u>\$ 978,978</u>	<u>\$ 1,504,775</u>	<u>\$ -</u>	<u>\$ (4,050)</u>	<u>\$ 2,479,703</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 11,193	\$ -	\$ -	\$ -	\$ 11,193
Due to other funds	5,617	-	-	(4,050)	1,567
Due to other governmental units	1,684	-	-	-	1,684
Accrued compensated absences	-	-	17,685	-	17,685
Accrued liabilities	1,874	-	-	-	1,874
Total liabilities	<u>20,368</u>	<u>-</u>	<u>17,685</u>	<u>(4,050)</u>	<u>34,003</u>
Fund balances/net assets	<u>958,610</u>	<u>1,504,775</u>	<u>(17,685)</u>	<u>-</u>	<u>2,445,700</u>
Total liabilities and fund balances net assets	<u>\$ 978,978</u>	<u>\$ 1,504,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,479,703</u>

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

The "net change in fund balances" for governmental funds (\$129,024) differs from the "change in net assets" for governmental activities (\$24,947) 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	\$ 47,192
Depreciation expense	<u>(116,367)</u>
Difference	<u>\$ (69,175)</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. However, in the statement of activities, these revenues are adjusted by the difference between the original cost of the asset less the accumulated depreciation at the time of the sale. The resulting revenue or expense is then reported as a gain or loss on the sale of fixed assets in the statement of activities.

Gain on sale of fixed assets	<u>\$ (258,867)</u>
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Long-term debt transactions

Repayment of debt principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Debt principal payments made	<u>\$ 224,138</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>\$ (173)</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
<b>REVENUES</b>				
Taxes	\$ 553,509	\$ -	\$ -	\$ 553,509
Licenses and permits	36,920	-	-	36,920
Intergovernmental	371,627	-	-	371,627
Charges for services	44,150	-	-	44,150
Miscellaneous	70,687	-	-	70,687
<b>Total revenue</b>	<b>1,076,893</b>	<b>-</b>	<b>-</b>	<b>1,076,893</b>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
General government	332,896	26,809	173	359,878
Public safety	110,287	26,715	-	137,002
Transportation	229,633	7,577	-	237,210
Economic environment	1,497	-	-	1,497
Human services	14,278	-	-	14,278
Culture/recreation	270,875	55,266	-	326,141
<b>Capital outlay</b>				
General government	1,429	(1,429)	-	-
Public safety	38,783	(38,783)	-	-
Transportation	6,980	(6,980)	-	-
<b>Debt service</b>				
Principal	224,138	-	(224,138)	-
Interest	8,764	-	-	8,764
<b>Grants and aids</b>				
Culture/recreation	2,000	-	-	2,000
<b>Total expenditures</b>	<b>1,241,561</b>	<b>69,175</b>	<b>(223,965)</b>	<b>1,086,770</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(164,668)</b>	<b>(69,175)</b>	<b>223,965</b>	<b>(9,877)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of real property	282,144	(258,868)	-	23,276
Interfund transfers in	92,103	-	-	92,103
Interfund transfers out	(80,555)	-	-	(80,555)
<b>Total other financing sources (uses)</b>	<b>293,692</b>	<b>(258,868)</b>	<b>-</b>	<b>34,824</b>
<b>Net change in fund balances</b>	<b>129,024</b>	<b>(328,043)</b>	<b>223,965</b>	<b>24,947</b>
<b>Fund balances at beginning of year</b>	<b>829,586</b>	<b>1,832,817</b>	<b>(241,650)</b>	<b>2,420,753</b>
<b>Fund balances at end of year</b>	<b>\$ 958,610</b>	<b>\$ 1,504,774</b>	<b>\$ (17,685)</b>	<b>\$ 2,445,700</b>

### 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 Council 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 Council.
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 Council. 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 \$1,373,606 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, 2008, was as follows:

	Beginning Balance	Reclassifications		Ending Balance
		Additions	Deletions	
<u>Governmental activities:</u>				
Capital assets:				
Land	\$ 84,551	\$ -	\$ -	\$ 84,551
Buildings	1,810,449	-	(440,000)	1,370,449
Other improvements	375,000	-	-	375,000
Machinery and equipment	605,971	47,192	-	653,163
Total capital assets	2,875,971	47,192	(440,000)	2,483,163
Less accumulated depreciation	(1,043,154)	(116,367)	181,133	(978,388)
Governmental activities capital assets, net	<u>\$ 1,832,817</u>	<u>\$ (69,175)</u>	<u>\$ (258,867)</u>	<u>\$ 1,504,775</u>
<u>Business-type activities:</u>				
Land	\$ 541,813	\$ -	\$ -	\$ 541,813
Buildings	135,000	-	-	135,000
Improvements other than buildings	5,031,494	16,967	-	5,048,461
Machinery and equipment	238,143	-	-	238,143
Construction in progress	-	467,403	-	467,403
Total capital assets	5,946,450	484,370	-	6,430,820
Less accumulated depreciation	(2,808,646)	(290,855)	(798)	(3,100,299)
Business-type activities capital assets, net.	<u>\$ 3,137,804</u>	<u>\$ 193,515</u>	<u>\$ (798)</u>	<u>\$ 3,330,521</u>

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

Governmental activities:	
General Government	\$ 26,809
Public Safety	26,715
Transportation	7,577
Parks and recreation	55,266
Total depreciation expense - governmental entities	<u>\$ 116,367</u>
Business-type activities:	
Water and sewer utility	<u>\$ 290,855</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2008.

Fund	Receivable	Payable
General	\$ 2,451	\$ 3,166
Trailhead Park	-	2,451
Downtown Development	615	-
Street Improvement	541	-
Tillis Building	443	-
Proprietary	1,567	-
	<u>\$ 5,617</u>	<u>\$ 5,617</u>

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2008, consisted of the following:

Fund	Transfers in	Transfers out
General	\$ 315,343	\$ 50,727
Street Improvement	50,000	-
Proprietary	80,555	92,103
Townsend Building	727	-
Tillis Building	-	294,088
Downtown Development	-	9,707
	<u>\$ 446,625</u>	<u>\$ 446,625</u>

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

NOTE 9. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2008, were as follows:

	Due from Other Governmental Units	Total Receivables
Governmental activities:		
Funds		
General	\$ 6,726	\$ 6,726
Trailhead Park	2,338	2,338
	<u>\$ 9,064</u>	<u>\$ 9,064</u>

	<u>Account</u>	<u>Due from Others/ Governmental Units</u>	<u>Total Receivables</u>
Business-type activities:			
Enterprise Fund	<u>\$ 119,652</u>	<u>\$ 12,050</u>	<u>\$ 131,702</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$36,792.

#### Payables

Payables at September 30, 2008, were as follows:

	<u>Vendors</u>	<u>Due to Other Governmental Units</u>	<u>Total Payables</u>
Governmental activities:			
Funds			
General	\$ 11,193	\$ -	\$ 11,193
Tillis Industrial Building	-	1,684	1,684
	<u>\$ 11,193</u>	<u>\$ 1,684</u>	<u>\$ 12,877</u>
Business-type activities:			
Enterprise Fund	<u>\$ 2,781</u>	<u>\$ -</u>	<u>\$ 2,781</u>

#### NOTE 10. LONG-TERM LIABILITIES

##### Governmental Activities

A summary of all long-term debt associated with governmental activities, excluding compensated absences, of the City as of September 30, 2008, follows:

**City Hall Construction Loan** - On December 19, 2003, the City obtained a loan from Mercantile Bank for the construction of a new City Hall facility. The principal amount drawn on this loan was \$400,000, and was repaid in monthly installments of \$2,968 over ten years with a final payment of \$4,041, which included interest at 4%. Equivalent amounts of Half Cent Sales Tax revenue were pledged for repayment of this loan. This loan was fully paid in the current year with proceeds derived from the sale of real property belonging to the City.

##### 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, 2008:

	<u>Balance October 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2008</u>
Loan Payable-Mercantile Bank	\$ 224,135	\$ -	\$ (224,135)	\$ -
Compensated Absences	17,513	173	-	17,686
	<u>\$ 241,648</u>	<u>\$ 173</u>	<u>\$ (224,135)</u>	<u>\$ 17,686</u>

## Business -type Activities

A summary of proprietary fund debt as of September 30, 2008, 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, 2008, is \$338,000. The remaining bonds mature annually from September 1, 2006 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, 2008, is \$1,082,000. 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, 2008.

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, 2008.

Revenue bond debt service requirements to maturity, including \$961,150 of interest, are as follows:

Fiscal Year Ending September 30	1980 Bonds	1998 Bonds	Total
2009	\$ 37,400	\$ 66,880	\$ 104,280
2010	37,300	66,025	103,325
2011	37,150	66,044	103,194
2012	36,950	66,394	103,344
2013-2014	74,100	132,660	206,760
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
	\$ 407,700	\$ 1,925,450	\$ 2,333,150

Loan Payable - On July 14, 2006, the City closed on an unsecured loan with Community State Bank in the amount of \$75,000. The funds from this loan were used to purchase a backhoe loader and a pickup truck for use by the City's utility department. The loan was to be paid in six semi-annual installments of \$13,596. This loan was paid out in the current year with proceeds from the sale of real property owned by the City.

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 are being used to construct a sewer system lift station. The City pays 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 or until November 19, 2008, whichever occurs first. Thereafter, the City is to pay 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. Based on the principal amount drawn down by the City of \$438,275 as of September 30, 2008, future debt service requirements are as follows:

Fiscal Year Ending September 30	1980 Bonds	1998 Bonds	Total
2009	\$ 23,224	\$ 19,757	\$ 104,280
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
Thereafter	318,512	98,026	516,899
	<u>\$ 438,275</u>	<u>\$ 186,483</u>	<u>\$ 786,418</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2007	Increases	Decreases	Balance September 30, 2008	Due Within One Year
Bonds payable	\$ 1,420,000	\$ -	\$ 48,000	\$ 1,372,000	\$ 41,000
Loans payable	51,207	438,275	51,207	438,275	23,224
	<u>\$ 1,471,207</u>	<u>\$ 438,275</u>	<u>\$ 99,207</u>	<u>\$ 1,810,275</u>	<u>\$ 64,224</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 2007-08 fiscal year were as follows:

Class or Plan	Percent of Gross Salary (A)
Florida Retirement System, Regular	9.85%
Florida Retirement System, Senior Management Services	13.12%
Florida Retirement System, Special Risk	20.92%
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	10.91%
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 reemployed.

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, 2006, September 30, 2007, and September 30, 2008 totaled \$27,051, \$51,406, and \$48,123, 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, 2008, the RMC facility accounted for approximately 41% of the City's sewer revenues and 29% 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.

In the current year, the State of Florida, Department of Corrections, has reimbursed the City of half of the engineering and construction costs associated with the construction of the sewer system lift station required to bring the City into compliance with the State of Florida Department of Environmental Protection's standards for wastewater emissions. As of September 30, 2008, the DOC has reimbursed the City \$262,447 for this project's costs.

#### 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 a 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 in the current year 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. The City and USDA are currently negotiating these issues. In light of the possibility that the City may have to return all or a portion of the funds, the City has provided for a reserved fund balance of \$106,500 in the Tillis Building Fund.

The City has been advised that it may become a party to a certain lawsuit alleging property damage or 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.

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>Taxes</b>				
<b>Advalorem taxes</b>				
Current	\$ 67,735	\$ 67,164	\$ 67,164	\$ -
<b>Sales and use taxes</b>				
Local option gas tax/ alternative fuel	42,000	40,387	40,387	-
Discretionary sales tax	101,000	92,100	92,198	98
Franchise fees				
Electricity	129,000	129,000	139,780	10,780
Utility service taxes				
Electricity	26,500	26,811	26,811	-
Gas	4,800	4,400	4,630	230
Communications services tax	175,065	126,600	126,660	60
<b>Total taxes</b>	<b>546,100</b>	<b>486,462</b>	<b>497,630</b>	<b>11,168</b>
<b>Licenses and permits</b>				
<b>Professional and occupational</b>				
City occupational licenses	7,500	27,321	30,548	3,227
Union County licenses	2,800	6,995	1,996	(4,999)
Other licenses and permits	5,500	4,000	4,376	376
<b>Total licenses and permits</b>	<b>15,800</b>	<b>38,316</b>	<b>36,920</b>	<b>1,396</b>
<b>Intergovernmental</b>				
<b>Federal grants</b>				
Physical environment				
FEMA	-	15,000	16,726	1,726
<b>Federal payments in lieu of taxes</b>				
Union County Housing Authority	10,000	18,635	4,807	(13,828)
<b>State shared revenues</b>				
General government				
State revenue sharing	69,500	66,025	66,237	212
Municipal gas tax	27,000	24,300	24,653	353
Mobile home licenses	1,600	1,084	1,085	-
Alcoholic beverage licenses	450	443	443	-
Local government half-cent sales tax	55,000	45,980	45,981	1
<b>Total intergovernmental</b>	<b>163,550</b>	<b>171,467</b>	<b>159,931</b>	<b>11,536</b>

**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, 2008

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Charges for services</b>				
Transportation				
Street maintenance	\$ 38,750	\$ 38,750	\$ 38,750	\$ -
Other transportation receipts	5,400	5,400	5,400	-
<b>Total charges for services</b>	<b>44,150</b>	<b>44,150</b>	<b>44,150</b>	<b>-</b>
<b>Miscellaneous</b>				
Interest	11,500	11,000	7,776	(3,224)
Rents and royalties				
Community Center	13,500	16,081	16,501	420
Other rentals	7,030	6,030	4,340	(1,690)
Other miscellaneous				
Other	10,300	19,782	28,076	8,294
<b>Total miscellaneous</b>	<b>42,330</b>	<b>52,893</b>	<b>56,693</b>	<b>3,801</b>
<b>Total revenues</b>	<b>811,930</b>	<b>793,288</b>	<b>795,324</b>	<b>2,035</b>
<b>EXPENDITURES</b>				
<b>General government</b>				
Legislative				
Personal services	58,197	57,820	57,951	(131)
Operating expenses	7,600	2,262	1,076	1,186
<b>Total legislative</b>	<b>65,797</b>	<b>60,082</b>	<b>59,027</b>	<b>1,055</b>
Executive				
Personal services	45,726	49,890	49,769	121
Operating expenses	5,250	4,214	4,452	(238)
<b>Total executive</b>	<b>50,976</b>	<b>54,104</b>	<b>54,221</b>	<b>(117)</b>
Financial and administrative				
Personal services	44,381	34,677	34,584	93
Operating expenses	58,925	91,807	88,171	3,636
Capital outlay	17,500	2,930	1,429	1,501
Debt Service	32,700	14,838	228,371	(213,533)
<b>Total financial and administrative</b>	<b>153,506</b>	<b>144,252</b>	<b>352,554</b>	<b>(208,302)</b>
Legal counsel				
Personal services	12,356	475	552	(77)
Operating expenses	-	13,500	13,813	(313)
<b>Total legal counsel</b>	<b>12,356</b>	<b>13,975</b>	<b>14,365</b>	<b>(390)</b>
Other general government				
Operating expenses	29,900	33,635	29,778	3,857
<b>Total general government</b>	<b>312,535</b>	<b>306,048</b>	<b>509,945</b>	<b>(203,897)</b>

See notes to financial statements.

**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, 2008

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Public safety</b>				
<b>Law enforcement</b>				
Personal services	\$ 12,500	\$ 12,250	\$ 12,251	\$ (1)
Operating expenses	50,000	50,000	50,000	-
	<u>62,500</u>	<u>62,250</u>	<u>62,251</u>	<u>(1)</u>
<b>Fire control</b>				
Personal services	11,560	10,266	10,699	(433)
Operating expenses	20,600	18,960	16,736	2,224
Capital outlay	9,000	39,000	38,783	217
<b>Total fire control</b>	<u>41,160</u>	<u>68,226</u>	<u>66,218</u>	<u>2,008</u>
<b>Other public safety</b>				
Personal services	11,163	23,211	20,601	2,610
<b>Total public safety</b>	<u>114,823</u>	<u>153,687</u>	<u>149,070</u>	<u>4,617</u>
<b>Transportation</b>				
<b>Roads and streets</b>				
Personal services	112,822	129,313	129,600	287
Operating expenses	99,200	105,194	100,034	5,160
Capital outlay	8,500	7,500	6,980	520
Debt service	9,500	4,532	4,532	-
<b>Total transportation</b>	<u>230,022</u>	<u>246,539</u>	<u>241,145</u>	<u>5,394</u>
<b>Human services</b>				
<b>Animal control</b>				
Personal services	3,530	3,450	3,552	(102)
Operating expenses	4,250	11,125	10,725	400
<b>Total human services</b>	<u>7,780</u>	<u>14,575</u>	<u>14,278</u>	<u>297</u>
<b>Culture/recreation</b>				
<b>Parks and recreation</b>				
Personal services	45,411	46,234	45,994	240
Operating expenses	46,550	62,551	58,875	3,676
Capital outlay	7,500	-	-	-
Grants and aids	10,000	2,000	2,000	-
<b>Total culture and recreation</b>	<u>109,461</u>	<u>110,785</u>	<u>106,869</u>	<u>3,916</u>
<b>Total expenditures</b>	<u>774,621</u>	<u>831,634</u>	<u>1,021,308</u>	<u>(189,674)</u>
<b>Excess of revenues over (under) expenditures</b>	<u>37,309</u>	<u>(38,346)</u>	<u>(225,984)</u>	<u>(187,638)</u>

See notes to financial statements.

**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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OTHER FINANCING USES</b>				
Interfund transfers in	\$ -	\$ 101,810	\$ 315,343	\$ 213,533
Interfund transfers out	(50,000)	(50,000)	(50,727)	(727)
	<u>(50,000)</u>	<u>51,810</u>	<u>264,616</u>	<u>212,807</u>
 Net change in fund balance	 (12,691)	 13,464	 38,632	 25,168
 Fund balance at beginning of year	 <u>436,807</u>	 <u>436,807</u>	 <u>436,807</u>	 <u>-</u>
Fund balance at end of year	<u>\$ 424,116</u>	<u>\$ 450,271</u>	<u>\$ 475,439</u>	<u>\$ 25,168</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>Taxes</b>				
<b>Advalorem taxes</b>				
Current	\$ 24,500	\$ 55,878	\$ 55,879	\$ 1
Miscellaneous				
Interest	4,000	2,622	3,238	616
<b>Total revenues</b>	<u>28,500</u>	<u>58,500</u>	<u>59,117</u>	<u>617</u>
<b>EXPENDITURES</b>				
<b>Economic environment</b>				
<b>Housing and urban development</b>				
Operating expenses	595	1,497	1,497	-
<b>Excess of revenues over expenditures</b>	<u>27,905</u>	<u>57,003</u>	<u>57,620</u>	<u>617</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers out	-	9,707	9,707	-
<b>Net change in fund balances</b>	27,905	47,296	47,913	617
<b>Fund balance at beginning of year</b>	135,781	135,781	135,781	-
<b>Fund balance at end of year</b>	<u>\$ 163,686</u>	<u>\$ 183,077</u>	<u>\$ 183,694</u>	<u>\$ 617</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous				
Interest	\$ 3,000	\$ 1,763	\$ 2,304	\$ 541
Total revenues	<u>3,000</u>	<u>1,763</u>	<u>2,304</u>	<u>541</u>
Excess of revenues over (under) expenditures	<u>3,000</u>	<u>1,763</u>	<u>2,304</u>	<u>541</u>
<b>OTHER FINANCING SOURCES</b>				
Interfund transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	53,000	51,763	52,304	541
Fund balance at beginning of year	<u>114,118</u>	<u>114,118</u>	<u>114,118</u>	<u>-</u>
Fund balance at end of year	<u>\$ 167,118</u>	<u>\$ 165,881</u>	<u>\$ 166,422</u>	<u>\$ 541</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, 2008**

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

## COMBINING STATEMENTS

**CITY OF LAKE BUTLER, FLORIDA**

**NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET**

September 30, 2008

	<u>Special Revenue Tillis Building</u>	<u>Capital Projects Townsend Building</u>	<u>Trailhead Park</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Current assets				
Cash	\$ 134,204	\$ -	\$ 114	\$ 134,318
Due from other governmental units	-	-	2,338	2,338
Due from other funds	443	-	-	443
<b>Total assets</b>	<u><u>\$ 134,646</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,452</u></u>	<u><u>\$ 137,099</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Current liabilities				
Due to other governmental units	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	2,451	2,451
Sales tax payable	1,684	-	-	1,684
<b>Total liabilities</b>	<u><u>1,684</u></u>	<u><u>-</u></u>	<u><u>2,451</u></u>	<u><u>4,135</u></u>
<b>FUND BALANCES</b>				
Reserved	106,500	-	-	106,500
Unreserved	26,463	-	1	26,464
<b>Total fund balances</b>	<u><u>132,963</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>132,964</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 134,646</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,452</u></u>	<u><u>\$ 137,099</u></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, 2008

	Special Revenue Tillis Building	Capital Projects Townsend Building      Trailhead Park		Nonmajor Governmental Funds
<b>REVENUES</b>				
Intergovernmental				
Federal grants				
Economic environment				
USDA	\$ 45,690	\$ -	\$ -	\$ 45,690
Parks and recreation				
FRDAP	-	-	166,006	166,006
Miscellaneous				
Interest	5,352	-	-	5,352
Rents and royalties	3,100	-	-	3,100
Total revenues	<u>54,142</u>	<u>-</u>	<u>166,006</u>	<u>220,148</u>
<b>EXPENDITURES</b>				
General government				
Other general government				
Operating expenses	52,750	-	-	52,750
Culture/recreation				
Parks and recreation				
Operating expenses	-	-	166,006	166,006
Total general government	<u>52,750</u>	<u>-</u>	<u>166,006</u>	<u>218,756</u>
Excess of revenues over expenditures	1,392	-	-	1,391
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of real property	282,144	-	-	282,144
Interfund transfers in	-	727		
Interfund transfers out	(294,088)	-	-	(294,088)
	<u>(11,944)</u>	<u>727</u>	<u>-</u>	<u>(11,218)</u>
Net change in fund balances	(10,552)	727	-	(9,825)
Fund balances at beginning of year	143,515	(727)	1	142,789
Fund balances at end of year	<u>\$ 132,963</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 132,964</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, 2008

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 9/30/2007
<b>FEDERAL AWARDS</b>								
<i>NONMAJOR PROGRAMS</i>								
<i>US Department of Homeland Security</i>								
Assistance to Firefighters Grant	97.044	FY 2007	\$ 16,726	\$ -	\$ -	\$ 16,726	\$ 16,726	\$ -
<i>US Department of Agriculture</i>								
Rural Business Enterprise Grant	10.769	N/A	106,500	60,810	-	45,690	45,690	-
Total federal awards			<u>\$ 123,226</u>	<u>\$ 60,810</u>	<u>\$ -</u>	<u>\$ 62,416</u>	<u>\$ 62,416</u>	<u>\$ -</u>
<b>STATE FINANCIAL ASSISTANCE</b>								
<i>NONMAJOR PROGRAMS</i>								
<i>Department of Environmental Protection</i>								
Florida Recreation Development Assistance Program (FRDAP)	37.017	F7032	\$ 200,000	\$ 12,941	\$ -	\$ 166,006	\$ 166,006	\$ -
Total federal awards and state financial assistance			<u>\$ 323,226</u>	<u>\$ 73,751</u>	<u>\$ -</u>	<u>\$ 228,422</u>	<u>\$ 228,422</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, 2008

### 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, 2008, and have issued our report thereon dated November 7, 2008. 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 7, 2008 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 7, 2008

## 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, 2008, 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

Credit Card Transactions – From our review of credit card transactions in the current year we found several instances of charges made on the City's credit card where original sales documentation was not retained and filed with the credit card monthly statements.

To increase internal control over credit card activities, we recommend that original sales documentation for all credit card charges be retained and filed with the monthly credit card statements.

Payroll – From our review of payroll transactions, we found three instances where part-time employees did not have formal employee payroll files.

To facilitate the audit of employee related transactions, we recommend that files containing all relevant records be maintained for all part-time employees in the same manner as are kept for all full-time employees.

### 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, 2008.

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, 2008, 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 7, 2008