CITY OF LAWTEY
LAWTEY, FLORIDA

AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2020

CITY OF LAWTEY, FLORIDA
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and the City Council
City of Lawtey, Florida

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lawtey, Florida as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Lawtey, Florida as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 8, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021, on our consideration of the City of Lawtey, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lawtey, Florida's internal control over financial reporting and compliance.

Reddish + White CPA'S

Starke, Florida
June 25, 2021

City of Lawtey

Management's Discussion and Analysis
For the Year Ended September 30, 2020.

Overview of the Financial Statements

Within this section of the City of Lawtey's (the City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. Please read it in conjunction with the City's financial statements which begin on page 9.

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a

significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and culture and recreation. The business-type activities include the water services, sewer services, and sanitation operation.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are required to be separately reported while all others are combined into a single, aggregated presentation. Presently, the City has only one governmental fund that encompasses the operations of the City's governmental operations and only one business-type fund that encompasses the City's water, sewer, and sanitation services.

Governmental funds All of the City's basic governmental services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Since the government-wide focus includes the long-term view, comparisons between the two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary Funds The City maintains a proprietary fund. This fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses this fund to account for its water, sewer, and sanitation operations.

Notes to the Financial Statements The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Financial Highlights

- The City's net position increased by $423,945 (or 6%) overall as a result of this year's operations. While the net position of the government activities increased by $524,894 (or 8%), the net position of the business-type activities decreased by $100,949 (or 1%).

- For the year, the City's general fund had expenses that were $53,565 less than the $1,054,811 generated in tax and other revenues for governmental programs.

Financial Analysis of the City as a Whole

As of September 30, 2020 and 2019, The City's combined net position totaled $7,390,083 and $6,966,138, respectively. The capital assets are shown net of depreciation. The following table provides the details:

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current assets	$460,451	$402,834	$205,621	$185,042	$666,072	$587,876
Capital assets	1,068,392	602,371	7,826,836	7,997,988	8,895,228	8,600,359
Other assets	118,869	110,542	(118,869)	(110,542)	0	0
Total assets	1,647,712	1,115,747	7,913,588	8,072,488	9,561,300	9,188,235
Liabilities						
Current liabilities	23,320	10,763	69,934	86,295	93,254	97,058
Long-term liabilities	12,463	17,949	2,065,500	2,107,090	2,077,963	2,125,039
Total liabilities	35,783	28,712	2,135,434	2,193,385	2,171,217	2,222,097
Net position						
Net Investment in Capital Asset	1,050,621	579,292	5,719,746	5,850,968	6,770,367	6,430,260
Restricted	0	13,926	96,981	97,573	96,981	111,499
Unrestricted	561,308	493,817	(38,573)	(69,438)	522,735	424,379
Total net position	$1,611,929	$1,087,035	$5,778,154	$5,879,103	$7,390,083	$6,966,138

The following is a summary of the City's net change in net position for the years ended September 30, 2020 and 2019:

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program:						
Charges for services	$3,232	$6,204	$350,613	$343,396	$353,845	$349,600
Grants and Contributions	523,878	29,038	44,813	19,278	568,691	48,316
Fines and Forfeitures	250,749	271,754	0	0	250,749	271,754
General:						
Taxes	240,282	218,742	0	0	240,282	218,742
Other State-shared	33,155	37,616	0	0	33,155	37,616
Other	3,515	1,882	144	105	3,659	1,987
Total revenues	1,054,811	565,236	395,570	362,779	1,450,381	928,015
Program Expenses:						
General government	71,604	66,816	0	0	71,604	66,816
Public safety	344,005	338,069	0	0	344,005	338,069
Transportation	95,312	72,022	0	0	95,312	72,022
Culture and recreation	18,996	19,026	0	0	18,996	19,026
Water and Waste Utility	0	0	496,519	530,340	496,519	530,340
Total expenses	529,917	495,933	496,519	530,340	1,026,436	1,026,273
Transfers	0	0	0	0	0	0
Excess (deficiency)	524,894	69,303	(100,949)	(167,561)	423,945	(98,258)
Beginning net position	1,087,035	1,017,732	5,879,103	6,046,664	6,966,138	7,064,396
Ending net position	$1,611,929	$1,087,035	$5,778,154	$5,879,103	$7,390,083	$6,966,138

Financial Analysis of the City's Funds

The general fund is reported in the fund financial statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The general fund reported ending fund balance of $561,308.

The total ending fund balance of the general fund reflects an increase of $53,565 or 11% from the prior year's ending fund balance.

The proprietary funds net position reflects a decrease of $100,949 or 2% from the prior years net position. This was primarily due to capital asset depreciation for the water and sewer system.

General Fund Budgetary Highlights

The City's actual revenues were more than budgeted revenues by over $54,000. This was primarily due to the SCOP transportation grant.

Total actual expenditures of the City were more than budgeted expenditures by over $1,100. This was also primarily due to the SCOP transportation grant.

Capital Asset and Debt Administration

Proprietary Fund - The City continued the project implementation phase of the water distribution and fire protection system upgrades this year with total capitalized cost of $44,813 funded by the U.S. Department of Housing and Urban Development, Community Development Block Grant.

The City also completed water plant improvements totaling $20,148.

The City continues to make the scheduled payments on the revenue bonds outstanding. See note 8 to the financial statements for more information on the bonds.

General Fund - The construction phase of the Florida Department of Transportation Small County Outreach Program for street and roadway improvements was completed this year. The total capitalized costs were $532,165.

The City's law enforcement department acquired a $27,708 police vehicle and $4,537 in laptops.

The General fund had one note payable collateralized by a vehicle. See note 8 to the financial statements for more information on the notes.

Economic Environment and Next Year's Budgets and Rates

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

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City clerk's office at (904) 782-3454.

CITY OF LAWTEY

STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	GOVERNMENTAL ACTIVITES	BUSINESS-TYPE ACTIVITES	TOTAL
ASSETS			
Cash and Cash Equivalents - Unrestricted	$394,343	$23,230	$417,573
Cash and Cash Equivalents - Restricted	0	118,028	118,028
Accounts Receivable, Net	36,391	29,989	66,380
Grant Receivable	0	64,091	64,091
Internal Balances	29,717	(29,717)	0
Total Current Assets	460,451	205,621	666,072
Capital Assets	1,068,392	7,826,836	8,895,228
Other Assets			
Internal Balances, Net of Current Portion	118,869	(118,869)	0
TOTAL ASSETS	$1,647,712	$7,913,588	$9,561,300
LIABILITIES			
Accounts Payable - Unrestricted	$0	$4,533	$4,533
Accounts Payable - Restricted	8,971	0	8,971
Payroll Liabilities	9,041	1,553	10,594
Customer Deposits	0	22,258	22,258
Notes Payable, Current Portion	5,308	0	5,308
Bonds Payable, Current Portion	0	41,590	41,590
Total Current Liabilities	23,320	69,934	93,254
Notes Payable, Noncurrent Portion	12,463	0	12,463
Bonds Payable, Noncurrent Portion	0	2,065,500	2,065,500
TOTAL LIABILITIES	35,783	2,135,434	2,171,217
NET POSITION			
Net Investment in Capital Assets	1,050,621	5,719,746	6,770,367
Restricted	0	96,981	96,981
Unrestricted	561,308	(38,573)	522,735
TOTAL NET POSITION	1,611,929	5,778,154	7,390,083
TOTAL LIABILITIES AND NET POSITION	$1,647,712	$7,913,588	$9,561,300

See accompanying notes to the financial statements.

CITY OF LAWTEY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET REVENUE (EXPENSE)
Primary Government:					
Government Activities:					
General Government	$71,604	$3,232	$0	$0	($68,372)
Public Safety	344,005	250,749	0	0	(93,256)
Transportation	95,312	0	3,969	519,048	427,705
Culture and Recreation	18,996	0	0	861	(18,135)
Total Governmental Activities	529,917	253,981	3,969	519,909	247,942
Business-type Activities:					
Sewer System	162,287	114,598	0	0	(47,689)
Water Sysytem	298,277	210,625	0	44,813	(42,839)
Garbage System	35,955	25,390	0	0	(10,565)
Total Business-type Activities	496,519	350,613	0	44,813	(101,093)
Total Primary Government	1,026,436	604,594	3,969	564,722	146,849

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Total
Change in Net Position:			
Net Revenue (Expense)	247,942	(101,093)	146,849
General Revenues:			
Taxes:			
Property	26,708	0	26,708
Local Option Gas Tax	44,452	0	44,452
Discretionary Sales Surtax	87,981	0	87,981
Franchise Fees	33,749	0	33,749
Utility Tax	3,058	0	3,058
Half Cent Sales Tax	44,334	0	44,334
State Revenue Sharing	33,155	0	33,155
Investment Income	55	144	199
Miscellaneous	3,460	0	3,460
Total General Revenues	276,952	144	277,096
Change in Net Position	524,894	(100,949)	423,945
Net Position, Beginning of Year	1,087,035	5,879,103	6,966,138
Net Position, End of Year	$1,611,929	$5,778,154	$7,390,083

See accompanying notes to the financial statements.

CITY OF LAWTEY

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund
ASSETS	
Current Assets	
Cash and cash equivalents	$394,343
Due from Water Fund	29,717
Due from Other Governmental Units	36,391
Total Current Assets	460,451
Other Assets	
Due from Water Fund, Net of Currrent Portion	118,869
TOTAL ASSETS	$579,320
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Current Liabilities	
Accounts payable	$8,971
Payroll Liabilities	9,041
TOTAL LIABILITIES	18,012
FUND BALANCES	
Assigned	37,553
Unassigned	523,755
TOTAL FUND BALANCES	561,308
TOTAL LIABILITIES AND FUND BALANCES	$579,320

See accompanying notes to the financial statements.

CITY OF LAWTEY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
General Revenues:				
Taxes				
Property	$26,500	$26,500	$26,708	$208
Local Option Gas Tax	36,000	36,000	44,452	8,452
Discretionary Sales Surtax	77,000	77,000	87,981	10,981
Franchise Taxes	33,500	33,500	33,749	249
Utility Tax	2,900	2,900	3,058	158
Intergovernmental programs	73,600	73,600	77,489	3,889
Fines and Forfeitures	270,000	270,000	250,749	(19,251)
Capital Grants and Contributions	468,660	468,660	519,909	51,249
Charges for Services	5,650	5,650	3,232	(2,418)
Miscellaneous	6,240	6,240	7,484	1,244
TOTAL REVENUES	1,000,050	1,000,050	1,054,811	54,761
EXPENDITURES				
Current:				
General Government	88,676	88,676	70,999	17,677
Public Safety				
Law Enforcement	277,616	277,616	266,576	11,040
Fire	19,500	19,500	18,790	710
Transportation	95,097	95,097	72,929	22,168
Culture and Recreation	10,000	10,000	6,241	3,759
Capital Outlay:				
Public Safety				
Law Enforcement	30,000	30,000	33,546	(3,546)
Fire	15,000	15,000	0	15,000
Transportation	464,161	464,161	532,165	(68,004)
Culture and Recreation	0	0	0	0
TOTAL EXPENDITURES	1,000,050	1,000,050	1,001,246	(1,196)
REVENUES OVER (UNDER) EXPENDITURES	0	0	53,565	$53,565
FUND BALANCE, BEGINNING OF YEAR	507,743	507,743	507,743	
FUND BALANCE, END OF YEAR	$507,743	$507,743	$561,308	

See accompanying notes to the financial statements.

CITY OF LAWTEY

Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2020

Total Fund Balance - Total Governmental Funds	$561,308
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of $2,404,390 net of accumulated depreciation of $1,335,998 are not financial resources and, therefore, are not reported in the funds.	1,068,392
The acquisition of equipment through a note payable provides current financial resources to governmental funds, while the repayment of the note consumes current financial resources. This amount is the effect of these differences in the treatment of note payables.	(17,771)
Total Net Position of Governmental Activities	$1,611,929

See accompanying notes to the financial statements.

CITY OF LAWTEY

Reconciliation of the Satement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended September 30, 2020

Net Change in Fund Balances - Total Governmental Funds	$53,565
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount capital outlays $564,410 exceeded depreciation expense of $98,389.	466,021
The acquisition of a vehicle through a note payable provides resurces to governmental funds, while the repayment of the long term note consumes current financial resources. This amount is the effect of these differences in the treatment of note payable.	5,308
Change in Net Position of Governmental Activities	$524,894

See accompanying notes to the financial statements.

CITY OF LAWTEY

STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2020

ASSETS	
Current Assets	
Cash and Cash Equivalents - Unrestricted	$23,230
Cash and Cash Equivalents - Restricted	118,028
Accounts Receivable, net	29,989
Grant Receivable	64,091
Total Current Assets	235,338
Capital Assets, Net of	
Accumulated Depreciation	7,826,836
TOTAL ASSETS	$8,062,174
LIABILITIES AND FUND NET POSITION	
Current Liabilities	
Accounts Payable - Unrestricted	$6,086
Due to General Fund	29,717
Customer Deposits	22,258
Water and Sewer Revenue Bond, Current Portion	41,590
Total Current Liabilities	99,651
Other Liabilities	
Due to General Fund, Net of Current Portion	118,869
Water and Sewer Revenue Bond, Non Current Portion	2,065,500
Total Other Liabilities	2,184,369
TOTAL LIABILITIES	2,284,020
FUND NET POSITION	
Net Investment in Capital Assets	5,719,746
Restricted	96,981
Unrestricted	(38,573)
TOTAL FUND NET POSITION	5,778,154
TOTAL LIABILITIES AND FUND NET POSITION	$8,062,174

See accompanying notes to the financial statements.

CITY OF LAWTEY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

OPERATING REVENUES	
Water Fees	$210,625
Sewer Fees	114,598
Garbage Fees	25,390
TOTAL OPERATING REVENUES	350,613
OPERATING EXPENSES	
Personal Services	92,584
Depreciation	236,114
Utilities	24,194
Materials, Supplies, and Other Operating Expenses	74,464
TOTAL OPERATING EXPENSES	427,356
OPERATING INCOME (LOSS)	(76,743)
NON OPERATING REVENUES AND EXPENSES	
Grant Revenue	44,813
Interest Expense	(69,163)
Investment Income	144
TOTAL NON OPERATING REVENUES AND EXPENSES	(24,206)
NET INCREASE (DECREASE) IN FUND NET POSITION	(100,949)
FUND NET POSITION, BEGINNING OF YEAR	5,879,103
FUND NET POSITION, END OF YEAR	$5,778,154

See accompanying notes to the financial statements.

CITY OF LAWTEY

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$353,828
Payments to Suppliers of Goods and Services	(97,869)
Payments to Employees	(92,584)
NET CASH PROVIDED BY OPERATING ACTIVITIES	163,375
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) from General Fund	10,408
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Capitalized Expenses	(82,962)
Interest payments on Revenue Bonds and Capital Lease	(69,163)
Principal Payments on Revenue Bonds	(39,930)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(192,055)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	144
NET CASH PROVIDED BY INVESTING ACTIVITIES	144
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,128)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	159,386
CASH AND CASH EQUIVALENTS, END OF YEAR	$141,258
Unrestricted Cash and Cash Equivalents	$23,230
Restricted Cash and Cash Equivalents	118,028
Total Cash and Cash Equivalents	$141,258
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	($76,743)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	236,114
Change in Current Assets and Current Liabilities	
Accounts Receivable, Net	4,025
Accounts Payable	789
Customer Deposits	(810)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$163,375

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Lawtey, Florida (the "City") was established by chapter 6329, Laws of Florida, Special Acts in 1911. The City operates under a Mayor-Council form of government and provides services to its citizens including public safety, sanitation, streets, and other general governmental activities. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. As defined by GASB, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City. Based on the aforementioned criteria, the City has no component units.

Basis of Presentation

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and the fund financial statements categorize primary activities as either governmental or business type. The City's police protection, recreation and culture, transportation, and general government services are classified as governmental activities. The City's water, sewer, and garbage services are classified as business-type activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements – Government-wide Statements

In the government-wide financial statements (the statement of net position and the statement of activities), both the governmental and business-type activities are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets, restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying expenditures.

The government-wide statement of activities reports both gross and net cost of each of the City's functions (police, general government, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, general government, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general government revenues. The City does not allocate indirect costs. The government-wide focus is on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are required to be presented for governmental and proprietary activities. These statements are required to present each major fund as a separate column on the fund financial statements. The City currently has one governmental fund and one enterprise fund for reporting purposes.

General Fund

The General Fund is the general operating fund of the City. This fund is used to account for all financial resources, not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise Fund

The Enterprise Fund (Water & Sewer Fund) is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the expenses, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The government-wide statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

With the economic resource measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases and decreases in fund net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing deliverable goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer funds are charges to customers for sales of water, sewer, and garbage removal services. Operating expenses for the enterprise fund include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses

Governmental fund level financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

recognized when susceptible to accrual (when they become both measurable and available). Measurable means the amount of the transaction can be determined and

available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City considers taxes and licenses as available if collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are taxes, franchise fees, and intergovernmental revenues.

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

All monies collected by the City are required to be deposited in accordance with the laws of the State of Florida. Section 218.415 (17), Florida Statutes, authorizes the City to invest in the Local Government Surplus Funds Trust, direct obligations of the United States Government, obligations unconditionally guaranteed by the United States Government, time deposits and savings accounts of Florida Qualified Depositories, obligations of Federal Farm Credit Banks, and obligations of the Federal National Mortgage Association.

All cash and cash equivalents of the City are covered by Federal depository insurance or by collateral held by the City's custodial bank which is pledged to a state trust fund that provides security in accordance with the Florida Security for Deposits Act, Chapter 280, for amounts held in excess of the FDIC coverage. The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

Receivables

Receivables are recorded at their net realizable value. Accordingly, they have been adjusted for all known doubtful accounts. As of September 30, 2020, the Water Fund receivable is net of $1,000 allowance.

Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at their estimated fair market value at the time received. Capital assets are defined by the City as assets with

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

an initial, individual cost of more than $500 and an estimated useful life in excess of one year.

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

Asset	Years
Buildings, improvements, and infrastructure	15 - 30
Equipment and vehicles	3 - 10

Compensated Absences

The City Council has a policy requiring all vacation to be used in the year earned. Sick leave can be carried forward, but unused sick leave is forfeited upon separation of service. No material liability for compensated absences exists at September 30, 2020.

Fund Equity Classifications

Government-wide and Proprietary Fund Statements

Equity is classified as net position and displayed in 3 components:

Net Investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. As of September 30, 2020, the restricted net position totaling $96,981 consists of $93,927 constrained for the revenue bond sinking fund and $3,054 constrained for water and sewer construction.

Unrestricted net position – consist of all other net positions that do not meet the definition of restricted or net investment in capital assets.

The City's policy is to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Fund Financial Statements

GASB statement No. 54 requires fund balance classifications in the following hierarchy:

Nonspendable fund balance – this classification represents amounts for inventory, prepaid expenses, property held for resale and long term notes receivable.

Restricted fund balance – this classification represents amounts restricted to specific purposes that are either *externally imposed by creditors, grantors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.* This definition is the same as the definition of restricted net assets used in government-wide financial reporting.

Committed fund balance – this classification represents amounts restricted for specific purposes by formal action of the government's highest level of decision-making authority (the approval of an ordinance by the City's council).

Assigned fund balance – this classification represents amounts constrained by the government's intent to be used for specific purposes but are neither restricted or committed (the approval of a resolution by the City's council or a majority vote of the City's council). As of September 30, 2020, the assigned fund balance totaling $37,553 consists of amounts constrained for: (1) fire department $3,634, (2) police department of $24,474, and (3) recreation and culture of $9,445.

Unassigned fund balance – This classification represents amounts that do not belong in any of the previous classifications, that is, the residual classification of the general fund.

The City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for which any of those unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

There were no budget amendments during the year. The City follows the procedures below in establishing the budgetary data reflected in the financial statements:

- In June, the City Clerk submits to the City Council 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.
- Public hearings are conducted in July and August to obtain taxpayer comments.
- In September, the final budget is legally enacted through passage of an ordinance.
- The City Council must approve any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund.
- The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund present a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.
- Appropriations lapse at year-end.
- The fund total is considered the legal level of control.

NOTE 3 – ECONOMIC DEPENDENCY

During the year ended September 30, 2020, the Water Fund recognized approximately 28% of its revenue from one customer, the Lawtey Correctional Institute.

NOTE 4 – PROPERTY TAXES

The Bradford County Tax Collector bills and collects property taxes for the City. City property tax revenues are recognized when levied, to the extent that they result in current receivables. Current year revenues recognized are those collected within 60 days after the year-end.

Details of the City's property tax calendar are presented below:

Lien Date	January 1
Levy Date	November 1
Installment Payments:	
1st Installment	No later than June 30
2nd Installment	No later than September 30
3rd Installment	No later than December 31
4th Installment	No later than March 31

NOTE 4 – PROPERTY TAXES (concluded)

Regular Payments:	
Discount Periods	November – February
No Discount Period	March
Delinquent Date	April 1

NOTE 5 – CAPITAL ASSETS

Capital asset activity for governmental activities the year ended September 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	$35,834	$0	$0	$35,834
Construction in Progress	91,716	532,165	(623,881)	0
Total	127,550	532,165	(623,881)	35,834
Capital Assets Depreciated:				
Buildings	167,915	0	0	167,915
Buildings Improvements	261,700	0	0	261,700
Infrastructure	171,584	623,881	0	795,465
Vehicles and Equipment	1,111,229	32,245	0	1,143,474
Total	1,712,428	656,126	0	2,368,554
Less Accumulated Depreciation:				
Buildings	(167,915)	0	0	(167,915)
Buildings Improvements	(143,247)	(12,578)	0	(155,825)
Infrastructure	(41,088)	(28,769)	0	(69,857)
Vehicles and Equipment	(885,357)	(57,042)	0	(942,399)
Total	(1,237,607)	(98,389)	0	(1,335,996)
Total Capital Assets being Depreciated, net	474,821	557,737	0	1,032,558
Capital Assets, Net	$602,371	$1,089,902	($623,881)	$1,068,392

For the year ended September 30, 2020, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	$ 76
Public Safety	
Law Enforcement	34,464
Fire Department	32,237
Culture and Recreation	9,230
Transportation	22,382
Total	$ 98,389

NOTE 5 – CAPITAL ASSETS (concluded)

Capital asset activity for the enterprise fund for the year ended September 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	$1,051	$0	$0	$1,051
Construction in Progress	19,278	44,813	0	64,091
Total	20,329	44,813	0	65,142
Capital Assets Depreciated:				
Sewer Plant	7,995,475	0	0	7,995,475
Water Plant	1,609,257	20,148	0	1,629,405
Machinery and Equipment	89,788	0	0	89,788
Total	9,694,520	0	0	9,714,668
Less Accumulated Depreciation:				
Sewer Plant	(1,047,431)	(199,886)	0	(1,247,317)
Water Plant	(613,356)	(32,116)	0	(645,472)
Machinery and Equipment	(56,074)	(4,111)	0	(60,185)
Total	(1,716,861)	(236,113)	0	(1,952,974)
Total Capital Assets being Depreciated, net	7,977,659	(236,113)	0	7,761,694
Capital Assets, Net	$7,997,988	($191,300)	$0	$7,826,836

NOTE 6 - INTERFUND BALANCES

The interfund balance is due primarily to operating costs, including personnel costs, and prior year expenditures related to the construction in progress of the Water Fund paid for by the General Fund.

NOTE 7 – RISK MANAGEMENT

The City purchased insurance to limit exposure of the following risks: theft of, damage to and destruction of assets; natural disasters and injuries to employees. Commercial insurance has also been purchased by the City to cover the risks of loss due to employee errors or omissions and for health insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 8 – LONG-TERM OBLIGATIONS

Following is a summary of changes in long-term obligations for the year ended September 30, 2020:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
Governmental Activities					
Notes Payable	$23,079	$0	$5,308	$17,771	$5,308
Line of Credit	0	352,974	352,974	0	0
Long-Term Liabilities	$23,079	$352,974	$358,282	$17,771	$5,308
Business-Type Activities					
Revenue Bond Payable	$2,147,020	$0	$39,930	$2,107,090	$41,590
Long-Term Liabilities	$2,147,020	$0	$39,930	$2,107,090	$41,590

Governmental Activities

Notes Payable

In December 2018, the City acquired a vehicle through financing. A note payable for $26,813 was obtained with a local financial institution. The note is payable in monthly installments of $486, including interest at 3.4% per annum. The note is collateralized by the vehicle purchased.

The following summarizes the scheduled payments for the next 5 years as of September 30, 2020:

Year	Principal	Interest	Total
2021	$5,308	$530	$5,838
2022	5,492	346	5,838
2023	5,682	156	5,838
2024	1,289	8	1,297
Total	$17,771	$1,040	$18,811

NOTE 8 – LONG TERM OBLIGATIONS (continued)

Business-type Activities

Revenue Bonds Payable

During the year ended September 30, 2006, the City issued a water and sewer revenue bond, series 2002, payable to the United States of America through the United States Department of Agriculture (USDA). The bond was issued to finance part of the cost of acquiring and constructing additions, extensions and improvements to the combined water and sewer system. This bond and the related interest are payable solely from and secured by a prior lien upon and a pledge of the net revenues derived from the operation of the system. The bond is payable in annual installments including interest at 4.5% per annum on September 1 of every year. Final payment is due in 2044.

During the year ended September 30, 2016, the City issued two water and sewer revenue bonds, series 2015, payable to the United States of America through the United States Department of Agriculture (USDA). The bonds were issued to finance part of the cost of acquiring and constructing additions, extensions and improvements to the sewer system. These bonds and the related interest are payable solely from and secured by a prior lien upon and a pledge of the net revenues derived from the operation of the system. The bond is payable in annual installments including interest at 2.625% per annum on September 1 of every year. Final payment is due in 2055.

The following summarizes the scheduled payments for the next 5 years and thereafter as of September 30, 2020:

Year	Principal	Interest	Total
2021	$41,590	$67,836	$109,426
2022	43,270	66,444	109,714
2023	44,960	64,989	109,949
2024	45,660	63,472	109,132
2025	47,380	61,936	109,316
2026-2030	263,510	284,380	547,890
2031-2035	310,760	236,144	546,904
2036-2040	367,920	178,537	546,457
2041-2045	391,440	109,351	500,791
2046-2050	257,750	59,084	316,834
2051-2055	292,850	23,430	316,280
	$2,107,090	$1,215,603	$3,322,693

NOTE 8 – LONG TERM OBLIGATIONS (concluded)

Line of Credit

In May 2020, the City acquired interim financing of $356,754 for the street and roadway improvements from a local financial institution. The draw down line of credit had a fixed rate of 3.16% due September 7, 2020. As of September 30, 2020, the line of credit was paid in full. The line of credit was secured by a pledge of revenues derived from a grant agreement related to the road improvements project.

NOTE 9 – COMMITMENTS AND SUBSEQUENT EVENTS

The City has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 25, 2021 the date the financial statements were available to be issued and has included the following information.

In April 2019, the City signed a contract for administrative services for the water distribution and fire protection system upgrades, funded from the U.S. Department of Housing and Urban Development, Community Development Block Grant (CDBG grant). As of September 30, 2020, the remaining commitment for administrative services is $32,000. The total amount awarded from the Florida Department of Economic Opportunity is $600,000.

In July 2019, the City signed a contract for the design and engineering services for the water distribution and fire protection system upgrades, funded from the CDBG grant. As of September 30, 2020, the remaining commitment for engineering services is $34,650.

In January 2020, the City was awarded $867,600 from the Florida Department of Economic Opportunity, Community Development Block Grant – Disaster Recovery. The funds will be used for infrastructure improvements.

In September 2020, the City signed a contract for construction services for the water distribution and fire protection system upgrades, funded from the CDBG grant. As of September 30, 2020, the remaining commitment for construction services is $443,175.

NOTE 10 - CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. 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(s) cannot be determined at this time although the City expects amounts, if any, to be immaterial.

Additional Elements Required by the Rules of the Auditor General, *Government Auditing Standards*

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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 Honorable Mayor and City Council
City of Lawtey, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lawtey, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Lawtey, Florida's basic financial statements, and have issued our report thereon dated June 25, 2021.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected, and corrected on a timely basis. We consider the deficiency described below as item #2020-1 to be a material weakness.

Finding #2020-1: A deposit of $109,092 to the bond payment cash account from the bond sinking fund cash account was not properly recorded in the accounting system.

Recommendation #2020-1: Cash deposits or transfers to the bond payment cash account should be recorded to debit the bond payment cash account and credit the bond sinking fund cash account.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below as items #2020-2 and #2020-3 to be significant deficiencies.

Finding #2020-2: The City of Lawtey did not always remit employee federal payroll taxes in a timely manner.

Recommendation #2020-2: Follow the payroll tax remittance schedule that is automatically set up in your payroll accounting software, to ensure that payroll taxes are processed and paid in a timely manner.

Finding #2020-3: $31,089 of uncleared deposits over 30 days old as of September 30, 2020, were not investigated and corrected.

Recommendation #2020-3: Deposits in transit that are over one month old are not likely to clear the bank and should be investigated to determine why it has not cleared and adjust the balance accordingly.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lawtey, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described below as items #2020-4 and #2020-5.

Finding #2020-4: The required Reserve account balance at the fiscal year end was $2,204 less than the amount stipulated in the three corresponding loan agreements.

Recommendation #2020-4: Establish procedures to ensure the required annual balance is maintained in the Reserve account at the fiscal year end. Consider setting up monthly automatic transfer of funds to meet the annual Reserve account balance requirement.

Finding #2020-5: Actual expenditures were in excess of budgeted expenditures.

Recommendation #2020-5: Monitor the actual verses budget results and amend the budget, as necessary. For grant expenditures, consider budgeting the entire amount of the grant to ensure that the actual expenditures are less than budgeted expenditures. Also, consider implementing controls over purchasing to prevent overages in expenditures.

City of Lawtey, Florida's Response to Findings

The City of Lawtey, Florida's response to the findings in our audit is described in the last section of this audit report package under the caption auditee's response. City of Lawtey, Florida's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Reddish + White CPA's

Starke, Florida
June 25, 2021

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and City Council
City of Lawtey, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Lawtey, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report, thereon dated June 25, 2021.

Auditor's Responsibility

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; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards;* and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550 Rules of the Auditor General. Disclosures in those reports, which are dated June 25, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following audit finding in the preceding financial report remains uncorrected.

Tabulation of Uncorrected Audit Findings	
Current Year Finding #	**2018-19 FY Finding #**
2020-2	**2019-1**

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Lawtey, Florida was established by chapter 6329, Laws of Florida, Special Acts in 1911. There were no component units related to the City of Lawtey, Florida.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.c and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Lawtey, Florida. It is management's responsibility to monitor the City of Lawtey, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The City of Lawtey, Florida did not have any component units for the fiscal year.

Additional Matters

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

Purpose of This Letter

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

Reddish + White CPA's

Starke, Florida
June 25, 2021

REDDISH & WHITE
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Honorable Mayor and City Council
City of Lawtey, Florida

We have examined the City of Lawtey, Florida's compliance with the requirements of Section 218.415, Florida Statutes during the fiscal year ended September 30, 2020. Management is responsible for City of Lawtey, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Lawtey, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and accordingly, included examining, on a test basis, evidence about City of Lawtey, Florida's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on City of Lawtey, Florida's compliance with specified requirements.

In our opinion, City of Lawtey, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Reddish & White CPA's

Starke, Florida
June 25, 2021

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 25, 2021

To the Honorable Mayor and City Council
City of Lawtey
Lawtey, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lawtey, Florida for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 15, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Lawtey are described in note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2020. We noted no transactions entered into by the City of Lawtey, Florida during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the City of Lawtey's financial statements was:

> Management's estimate of the useful lives of the fixed assets is based on historical data. We evaluated the key factors and assumptions used to develop the useful lives of the fixed assets in determining that is reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered During the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements which were primarily to convert your accounting records from the cash basis to the accrual basis.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 25, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that

the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the council members and management of the City of Lawtey, Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Reddish + White CPA's

City of Lawtey
P.O. Drawer G
Lawtey, Fl. 32058
904-782-3454
cityoflawtey@embarqmail.com

June 25, 2021

State of Florida, Auditor General
Claude Pepper Bldg.
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Sirs,

This letter represents our required response and follow-up to audit findings under Section 10-538(1), Rules of the Auditor General, State of Florida, for the year ended September 30, 2020.

Management's Responses and Corrective Action

Finding #2020-1: A deposit of $109,092 to the bond payment cash account from the bond sinking fund cash account was not properly recorded in the accounting system.

Recommendation #2020-1: Cash deposits or transfers to the bond payment cash account should be recorded to debit the bond payment cash account and credit the bond sinking fund cash account.

Response #2020-1: The City of Lawtey will make sure that all cash deposits and transfers to the bond are recorded correctly.

Finding #2020-2: The City of Lawtey did not always remit employee federal payroll taxes in a timely manner.

Recommendation #2020-2: Follow the payroll tax remittance schedule that is automatically set up in your payroll accounting software, to ensure that payroll taxes are processed and paid in a timely manner.

Response #2020-02: The City of Lawtey has hired a bookkeeper to make sure that all federal payroll taxes are paid in a timely manner.

Finding #2020-3: $31,089 of uncleared deposits over 30 days old as of September 30, 2020, were not investigated and corrected.

Recommendation #2020-3: Deposits in transit that are over one month old are not likely to clear the bank and should be investigated to determine why it has not cleared and adjust the balance accordingly.

Response #2020-03: The City of Lawtey Bookkeeper will make sure that all uncleared deposits are corrected within 30 days.

Finding #2020-4: The required Reserve account balance at the fiscal year end was $2,204 less than the amount stipulated in the three corresponding loan agreements.

Recommendation #2020-4: Establish procedures to ensure the required annual balance is maintained in the Reserve account at the fiscal year end. Consider setting up monthly automatic transfer of funds to meet the annual Reserve account balance requirement.

Response #2020-4: The City of Lawtey will adjust the totals that are automatically transferred to make sure that the annual Reserve account balance is in balance.

Finding #2020-5: Actual expenditures were in excess of budgeted expenditures.

Recommendation #2020-5: Monitor the actual verses budget results and amend the budget, as necessary. For grant expenditures, consider budgeting the entire amount of the grant to ensure that the actual expenditures are less than budgeted expenditures. Also, consider implementing controls over purchasing to prevent overages in expenditures.

Response #2020-5: The City of Lawtey will monitor and review actual verses budget quarterly and amend as necessary.

Sincerely,

Lisa M. Harley

City Clerk