CITY OF LAWTEY
LAWTEY, FLORIDA

AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2021

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, 2021, 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, 2021, 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 – 7, 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 30, 2022, 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 30, 2022

City of Lawtey

Management's Discussion and Analysis
For the Year Ended September 30, 2021.

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, 2021. Please read it in conjunction with the City's financial statements which begin on page 8.

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 $372,859 (or 5%) overall as a result of this year's operations. While the net position of the government activities increased by $19,608 (or 1%), the net position of the business-type activities increased by $353,251 (or 6%).

- For the year, the City's general fund had expenses that were $110,871 less than the $578,233 generated in tax and other revenues for governmental programs.

Financial Analysis of the City as a Whole

As of September 30, 2021 and 2020, The City's combined net position totaled $7,762,942 and $7,390,083, 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	
	2021	2020	2021	2020	2021	2020
Assets						
Current assets	$581,642	$460,451	$326,681	$205,621	$908,323	$666,072
Capital assets	971,999	1,068,392	8,107,745	7,826,836	9,079,744	8,895,228
Other assets	107,093	118,869	(107,093)	(118,869)	0	0
Total assets	1,660,734	1,647,712	8,327,333	7,913,588	9,988,067	9,561,300
Liabilities						
Current liabilities	22,048	23,320	173,698	69,934	195,746	93,254
Long-term liabilities	7,149	12,463	2,022,230	2,065,500	2,029,379	2,077,963
Total liabilities	29,197	35,783	2,195,928	2,135,434	2,225,125	2,171,217
Net position						
Net Investment in Capital Asset	959,358	1,050,621	6,042,245	5,719,746	7,001,603	6,770,367
Restricted	0	0	97,074	96,981	97,074	96,981
Unrestricted	672,179	561,308	(7,914)	(38,573)	664,265	522,735
Total net position	$1,631,537	$1,611,929	$6,131,405	$5,778,154	$7,762,942	$7,390,083

The following is a summary of the City's net change in net position for the years ended September 30, 2021 and 2020:

Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program:						
Charges for services	$7,560	$3,232	$351,901	$350,613	$359,461	$353,845
Grants and Contributions	31,727	523,878	516,739	44,813	548,466	568,691
Fines and Forfeitures	239,585	250,749	0	0	239,585	250,749
General:						
Taxes	259,101	240,282	0	0	259,101	240,282
Other State-shared	39,622	33,155	0	0	39,622	33,155
Other	639	3,515	103	144	742	3,659
Total revenues	578,234	1,054,811	868,743	395,570	1,446,977	1,450,381
Program Expenses:						
General government	72,463	71,604	0	0	72,463	71,604
Public safety	336,382	344,005	0	0	336,382	344,005
Transportation	115,539	95,312	0	0	115,539	95,312
Culture and recreation	34,242	18,996	0	0	34,242	18,996
Water and Waste Utility	0	0	515,492	496,519	515,492	496,519
Total expenses	558,626	529,917	515,492	496,519	1,074,118	1,026,436
Transfers	0	0	0	0	0	0
Excess (deficiency)	19,608	524,894	353,251	(100,949)	372,859	423,945
Beginning net position	1,611,929	1,087,035	5,778,154	5,879,103	7,390,083	6,966,138
Ending net position	$1,631,537	$1,611,929	$6,131,405	$5,778,154	$7,762,942	$7,390,083

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 $672,179.

The total ending fund balance of the general fund reflects an increase of $110,871 or 20% from the prior year's ending fund balance.

The proprietary funds net position reflects a increase of $353,251 or 6% from the prior years net position. This was primarily due to the CDBG water distribution and fire protection grant revenue.

General Fund Budgetary Highlights

The City's actual revenues were less than budgeted revenues by over $826,000. This was primarily due to the $867,600 CDBG citywide drainage grant budgeted, but not yet in progress.

Total actual expenditures of the City were less than budgeted expenditures by over $927,781. This was also primarily due to the CDBG drainage grant.

Capital Asset and Debt Administration

Proprietary Fund - The City completed the construction phase of the water distribution and fire protection system upgrades this year with total capitalized cost of $516,739 funded by the U.S. Department of Housing and Urban Development, Community Development Block Grant.

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 City's law enforcement department acquired two electronic message boards for $22,500 funded by the U.S. Department of Justice, Coronavirus Emergency Supplemental Funding grant.

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, 2021

	GOVERNMENTAL ACTIVITES	BUSINESS-TYPE ACTIVITES	TOTAL
ASSETS			
Cash and Cash Equivalents - Unrestricted	$477,619	$105,176	$582,795
Cash and Cash Equivalents - Restricted	0	120,713	120,713
Accounts Receivable, Net	52,498	32,508	85,006
Grant Receivable - Restricted	24,751	95,058	119,809
Internal Balances	26,774	(26,774)	0
Total Current Assets	581,642	326,681	908,323
Capital Assets	971,999	8,107,745	9,079,744
Other Assets			
Internal Balances, Net of Current Portion	107,093	(107,093)	0
TOTAL ASSETS	$1,660,734	$8,327,333	$9,988,067
LIABILITIES			
Accounts Payable - Unrestricted	$12,567	$14,792	$27,359
Accounts Payable - Restricted	0	90,787	90,787
Payroll Liabilities	3,989	0	3,989
Customer Deposits	0	24,849	24,849
Notes Payable, Current Portion	5,492	0	5,492
Bonds Payable, Current Portion	0	43,270	43,270
Total Current Liabilities	22,048	173,698	195,746
Notes Payable, Noncurrent Portion	7,149	0	7,149
Bonds Payable, Noncurrent Portion	0	2,022,230	2,022,230
TOTAL LIABILITIES	29,197	2,195,928	2,225,125
NET POSITION			
Net Investment in Capital Assets	959,358	6,042,245	7,001,603
Restricted	0	97,074	97,074
Unrestricted	672,179	(7,914)	664,265
TOTAL NET POSITION	1,631,537	6,131,405	7,762,942
TOTAL LIABILITIES AND NET POSITION	$1,660,734	$8,327,333	$9,988,067

See accompanying notes to the financial statements.

CITY OF LAWTEY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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	$72,463	$7,560	$0	$0	($64,903)
Public Safety	336,382	239,585	0	27,297	(69,500)
Transportation	115,539	0	0	4,180	(111,359)
Culture and Recreation	34,242	0	250	0	(33,992)
Total Governmental Activities	558,626	247,145	250	31,477	(279,754)
Business-type Activities:					
Sewer System	175,267	118,559	0	0	(56,708)
Water Sysytem	304,140	207,632	0	516,739	420,231
Garbage System	36,085	25,710	0	0	(10,375)
Total Business-type Activities	515,492	351,901	0	516,739	353,148
Total Primary Government	1,074,118	599,046	250	548,216	73,394

	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Total
Change in Net Position:			
Net Revenue (Expense)	(279,754)	353,148	73,394
General Revenues:			
Taxes:			
Property	28,197	0	28,197
Local Option Gas Tax	44,192	0	44,192
Discretionary Sales Surtax	98,378	0	98,378
Franchise Fees	34,817	0	34,817
Utility Tax	2,870	0	2,870
Half Cent Sales Tax	50,647	0	50,647
State Revenue Sharing	39,622	0	39,622
Investment Income	47	103	150
Miscellaneous	592	0	592
Total General Revenues	299,362	103	299,465
Change in Net Position	19,608	353,251	372,859
Net Position, Beginning of Year	1,611,929	5,778,154	7,390,083
Net Position, End of Year	$1,631,537	$6,131,405	$7,762,942

See accompanying notes to the financial statements.

CITY OF LAWTEY

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund
ASSETS	
Current Assets	
Cash and cash equivalents	$477,619
Due from Water Fund	26,774
Due from Other Governmental Units	77,249
Total Current Assets	581,642
Other Assets	
Due from Water Fund, Net of Currrent Portion	107,093
TOTAL ASSETS	$688,735
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Current Liabilities	
Accounts payable	$12,567
Payroll Liabilities	3,989
TOTAL LIABILITIES	16,556
FUND BALANCES	
Assigned	35,733
Unassigned	636,446
TOTAL FUND BALANCES	672,179
TOTAL LIABILITIES AND FUND BALANCES	$688,735

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, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
General Revenues:				
Taxes				
Property	$26,500	$26,500	$28,197	$1,697
Local Option Gas Tax	33,000	33,000	44,192	11,192
Discretionary Sales Surtax	77,000	77,000	98,378	21,378
Franchise Taxes	33,000	33,000	34,817	1,817
Utility Tax	3,000	3,000	2,870	(130)
Intergovernmental programs	72,000	72,000	90,269	18,269
Fines and Forfeitures	260,000	260,000	239,585	(20,415)
Capital Grants and Contributions	893,600	893,600	27,297	(866,303)
Charges for Services	2,388	2,388	7,560	5,172
Miscellaneous	4,740	4,740	5,068	328
TOTAL REVENUES	1,405,228	1,405,228	578,233	(826,995)
EXPENDITURES				
Current:				
General Government	87,736	87,736	73,745	13,991
Public Safety				
Law Enforcement	272,357	272,357	269,577	2,780
Fire	22,000	22,000	17,697	4,303
Transportation	95,950	95,950	68,713	27,237
Culture and Recreation	10,000	10,000	6,711	3,289
Capital Outlay:				
Public Safety				
Law Enforcement	32,000	32,000	30,595	1,405
Fire	2,500	2,500	0	2,500
Transportation	872,600	872,600	324	872,276
Culture and Recreation	0	0	0	0
TOTAL EXPENDITURES	1,395,143	1,395,143	467,362	927,781
REVENUES OVER (UNDER) EXPENDITURES	10,085	10,085	110,871	$100,786
FUND BALANCE, BEGINNING OF YEAR	561,308	561,308	561,308	
FUND BALANCE, END OF YEAR	$571,393	$571,393	$672,179	

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, 2021

Total Fund Balance - Total Governmental Funds	$672,179
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of $2,429,195 net of accumulated depreciation of $1,457,196 are not financial resources and, therefore, are not reported in the funds.	971,999
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.	(12,641)
Total Net Position of Governmental Activities	$1,631,537

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, 2021

Net Change in Fund Balances - Total Governmental Funds	$110,871
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 depreciation expense of $122,341 exceeded capital outlays of $25,948.	(96,393)
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.	5,130
Change in Net Position of Governmental Activities	$19,608

See accompanying notes to the financial statements.

CITY OF LAWTEY

STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2021

ASSETS	
Current Assets	
Cash and Cash Equivalents - Unrestricted	$105,176
Cash and Cash Equivalents - Restricted	120,713
Accounts Receivable, net	32,508
Grant Receivable - Restricted	95,058
Total Current Assets	353,455
Capital Assets, Net of	
Accumulated Depreciation	8,107,745
TOTAL ASSETS	$8,461,200
LIABILITIES AND FUND NET POSITION	
Current Liabilities	
Accounts Payable - Unrestricted	$14,792
Accounts Payable - Restricted	90,787
Due to General Fund	26,774
Customer Deposits	24,849
Water and Sewer Revenue Bond, Current Portion	43,270
Total Current Liabilities	200,472
Other Liabilities	
Due to General Fund, Net of Current Portion	107,093
Water and Sewer Revenue Bond, Non Current Portion	2,022,230
Total Other Liabilities	2,129,323
TOTAL LIABILITIES	2,329,795
FUND NET POSITION	
Net Investment in Capital Assets	6,042,245
Restricted	97,074
Unrestricted	(7,914)
TOTAL FUND NET POSITION	6,131,405
TOTAL LIABILITIES AND FUND NET POSITION	$8,461,200

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, 2021

OPERATING REVENUES	
Water Fees	$207,632
Sewer Fees	118,559
Garbage Fees	25,710
TOTAL OPERATING REVENUES	351,901
OPERATING EXPENSES	
Personal Services	93,826
Depreciation	235,830
Utilities	19,161
Materials, Supplies, and Other Operating Expenses	98,848
TOTAL OPERATING EXPENSES	447,665
OPERATING INCOME (LOSS)	(95,764)
NON OPERATING REVENUES AND EXPENSES	
Grant Revenue	516,739
Interest Expense	(67,827)
Investment Income	103
TOTAL NON OPERATING REVENUES AND EXPENSES	449,015
NET INCREASE (DECREASE) IN FUND NET POSITION	353,251
FUND NET POSITION, BEGINNING OF YEAR	5,778,154
FUND NET POSITION, END OF YEAR	$6,131,405

See accompanying notes to the financial statements.

CITY OF LAWTEY

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$351,973
Payments to Suppliers of Goods and Services	(109,303)
Payments to Employees	(93,826)
NET CASH PROVIDED BY OPERATING ACTIVITIES	148,844
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) from General Fund	(14,719)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Capitalized Expenses	(425,952)
Interest payments on Revenue Bonds and Capital Lease	(67,827)
Principal Payments on Revenue Bonds	(41,590)
Proceeds from Capital Grants	485,772
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(49,597)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	103
NET CASH PROVIDED BY INVESTING ACTIVITIES	103
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	84,631
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	141,258
CASH AND CASH EQUIVALENTS, END OF YEAR	$225,889
Unrestricted Cash and Cash Equivalents	$105,176
Restricted Cash and Cash Equivalents	120,713
Total Cash and Cash Equivalents	$225,889
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	($95,764)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	235,830
Change in Current Assets and Current Liabilities	
Accounts Receivable, Net	(2,519)
Accounts Payable	8,706
Customer Deposits	2,591
NET CASH PROVIDED BY OPERATING ACTIVITIES	$148,844

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, 2021, 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, 2021.

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, 2021, the restricted net position totaling $97,074 consists of $94,391 constrained for the revenue bond sinking fund and $2,683 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, 2021, the assigned fund balance totaling $35,733 consists of amounts assigned for: (1) fire department $1,460, (2) police department of $19,235, and (3) recreation and culture of $15,038.

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, 2021, the Water Fund recognized approximately 32% 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, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	$35,834	$0	$0	$35,834
Construction in Progress	0	0	0	0
Total	35,834	0	0	35,834
Capital Assets Depreciated:				
Buildings	167,915	0	0	167,915
Building Improvements	261,700	0	0	261,700
Infrastructure	795,465	0	0	795,465
Vehicles and Equipment	1,143,474	25,948	(1,141)	1,168,281
Total	2,368,554	25,948	(1,141)	2,393,361
Less Accumulated Depreciation:				
Buildings	(167,915)	0	0	(167,915)
Building Improvements	(155,825)	(12,578)	0	(168,403)
Infrastructure	(69,857)	(53,031)	0	(122,888)
Vehicles and Equipment	(942,399)	(56,732)	1,141	(997,990)
Total	(1,335,996)	(122,341)	1,141	(1,457,196)
Total Capital Assets being Depreciated, net	1,032,558	(96,393)	0	936,165
Capital Assets, Net	$1,068,392	($96,393)	$0	$971,999

NOTE 5 – CAPITAL ASSETS (concluded)

For the year ended September 30, 2021, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	$ 598
Public Safety	
Law Enforcement	34,113
Fire Department	31,899
Culture and Recreation	9,230
Transportation	46,501
Total	$ 122,341

Capital asset activity for the enterprise fund for the year ended September 30, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	$1,051			$1,051
Construction in Progress	64,091	516,739	0	580,830
Total	65,142	516,739	0	581,881
Capital Assets Depreciated:				
Sewer Plant	7,995,475	0	0	7,995,475
Water Plant	1,629,405	0	0	1,629,405
Machinery and Equipment	89,788	0	0	89,788
Total	9,714,668	0	0	9,714,668
Less Accumulated Depreciation:				
Sewer Plant	(1,247,317)	(199,887)	0	(1,447,204)
Water Plant	(645,472)	(31,832)	0	(677,304)
Machinery and Equipment	(60,185)	(4,111)	0	(64,296)
Total	(1,952,974)	(235,830)	0	(2,188,804)
Total Capital Assets being Depreciated, net	7,761,694	(235,830)	0	7,525,864
Capital Assets, Net	$7,826,836	$280,909	$0	$8,107,745

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, 2021:

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Due Within One Year
Governmental Activities					
Note Payable	$17,771	$0	$5,130	$12,641	$5,492
Long-Term Liabilities	17,771	0	5,130	12,641	5,492
Business-Type Activities					
Revenue Bond Payable	2,107,090	0	41,590	2,065,500	43,270
Long-Term Liabilities	$2,107,090	$0	$41,590	$2,065,500	$43,270

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.

NOTE 8 – LONG TERM OBLIGATIONS (continued)

The following summarizes the scheduled payments for the next 5 years as of September 30, 2021:

Year	Principal	Interest	Total
2022	5,492	346	5,838
2023	5,682	156	5,838
2024	1,467	8	1,475
Total	$12,641	$510	$13,151

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.

NOTE 8 – LONG TERM OBLIGATIONS (concluded)

The following summarizes the scheduled payments for the next 5 years and thereafter as of September 30, 2021:

Year	Principal	Interest	Total
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	49,130	60,336	109,466
2027-2031	272,550	275,401	547,951
2032-2036	321,340	225,436	546,776
2037-2041	381,140	165,710	546,850
2042-2046	358,390	95,982	454,372
2047-2051	264,510	52,319	316,829
2052-2055	237,170	15,743	252,913
	$2,065,500	$1,147,768	$3,213,268

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 30, 2022 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, 2021, the remaining commitment for administrative services is $4,000. The total amount awarded from the Florida Department of Economic Opportunity is $600,000.

In January 2020, the City was awarded $867,600 from the Florida Department of Economic Opportunity, Community Development Block Grant – Disaster Recovery (CDBG – Disaster Recovery). The funds will be used for infrastructure improvements, including citywide culvert replacement and drainage.

In August 2021, the City signed a contract for administrative services for the CDBG – Disaster Recovery project. As of September 30, 2021, the remaining commitment for administrative services is $49,875.

NOTE 9 – COMMITMENTS AND SUBSEQUENT EVENTS (concluded)

In November 2021, the City signed a contract for engineering services for the CDBG – Disaster Recovery project. As of September 30, 2021, the remaining commitment for engineering services is $120,700.

In August 2021, the City was awarded $363,119 in Fiscal Recovery Funds under the American Rescue Plan Act.

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, 2021, 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 30, 2022.

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 deficiencies described below as item #2021-1 and #2021-2 to be a material weakness.

Finding #2021-1: Bank reconciliations are not being properly reviewed.

Background #2021-1: $41,126 of uncleared deposits over 30 days old as of September 30, 2021, were not investigated and corrected.

Recommendation #2021-1: 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.

Finding #2021-2: Checks and deposits were backdated in the accounting system.

Background #2021-2: $47,958 of checks written in October 2021 were backdated in the accounting system to September 2021. $20,733 deposited in October was backdated in the accounting system to July 2021.

Recommendation #2021-2: Checks and deposits should be dated the dates the checks were written in the accounting system and deposited into the bank 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 #2021-3 and #2021-4 to be significant deficiencies.

Finding #2021-3: The City of Lawtey did not always remit employee federal payroll tax deposits in a timely manner.

Background #2021-3: $1,252 of federal payroll tax deposits were not remitted properly for the first quarter of the fiscal year.

Recommendation #2021-3: 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 #2021-4: Grant funds automatically deposited into the General Fund were not properly transferred to the Water Fund.

Background #2021-4: $203,042 in Water Fund grant expenditures were paid out of the General Fund. Grant funds are deposited automatically in the General Fund and then usually transferred to the Water Fund prior to expending. Instead of transferring the CDBG funds to the Water Fund, the funds were expended out of the General Fund for Water Fund purposes. As a result, the financial statements incorrectly included Water Fund expenditures in the General Fund

Recommendation #2021-4: Establish procedures to ensure grant funds received for the Water Fund are properly transferred and expended in the Water Fund.

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 is described below as item #2021-5.

Finding #2021-5: The required Reserve account balance at the fiscal year end was $8,472 less than the amount stipulated in the three corresponding loan agreements.

Background #2021-5: There were no reserve account transfers processed throughout the fiscal year.

Recommendation #2021-5: Establish procedures to ensure the required annual balance is maintained in the Reserve account at the fiscal year end. Consider setting up monthly automatic transfers of funds to meet the annual Reserve account balance requirement.

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 30, 2022

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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, 2021, and have issued our report, thereon dated June 30, 2022.

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 30, 2022, 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 reports. The following audit findings in the preceding financial reports remain uncorrected.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	**2019-20 FY Finding #**	**2018-19 FY Finding #**
2021-1	**2020-3**	
2021-3	**2020-2**	**2019-1**
2021-5	**2020-4**	

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.b 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.c., 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.

Redhurst & White, CPA's

Starke, Florida
June 30, 2022

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, 2021. 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, 2021.

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 30, 2022

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 30, 2022

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, 2021. 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 1, 2022. 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, 2021. 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.

The following material misstatements, detected as a result of audit procedures, were corrected by management:

General Fund:

	Debit	Credit
1. Cash - Operating Account	47,958.00	
Accounts Payable		47,958.00
2. CDBG Grant Revenue	90,945.00	
Due from Water Fund		4,260.00
CDBG Grant Expenditure		86,685.00
3. CDBG Grant Revenue	262,409.00	
Executive Miscellaneous Expense	698.00	
CDBG Grant Expenditure		263,107.00
4. Due from Bradford County	16,363.00	
Due from State	4,180.00	
Law Enforcement Health Insurance	190.00	
Cash - Operating Account		20,733.00

Water Fund:

	Debit	Credit
1. Due to General Fund	4,260.00	
CDBG Expense	86,685.00	
CDBG Grant Revenue		90,945.00

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 30, 2022.

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
Fax 904-782-3927
cityoflawtey@embarqmail.com

June 30, 2022

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, 2021.

Management's Responses and Corrective Action

Finding #2021-1: Bank reconciliations are not being properly reviewed.

Recommendation #2021-1: 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 #2021-1: The City of Lawtey will utilize the city bookkeeper to review reconciliations to make sure all outstanding deposits have cleared, and the balance is adjusted accordingly.

Finding #2021-2: Checks and deposits were backdated in the accounting system.

Recommendation #2021-2: Checks and deposits should be dated the dates the checks were written in the accounting system and deposited into the bank account.

Response #2021-2: The City of Lawtey will make sure that all checks are dated the day that they are written, and deposits are recorded on the date the deposits are put into the bank account.

Finding #2021-3: The City of Lawtey did not always remit employee federal payroll tax deposits in a timely manner.

Recommendation #2021-3: 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 #2021-03: The City of Lawtey has hired a bookkeeper to make sure that all federal tax deposits are paid on the payroll remittance schedule.

Finding #2021-4: Grant funds automatically deposited into the General Fund were not properly transferred to the Water Fund.

Recommendation #2021-4: Establish procedures to ensure grant funds received for the Water Fund are properly transferred and expended in the Water Fund.

Response#2021-4: The City of Lawtey has established a procedure to ensure all grant funds received are properly transferred and expended in the Water department.

Finding #2021-5: The required Reserve account balance at the fiscal year end was $8,472 less than the amount stipulated in the three corresponding loan agreements.

Recommendation #2021-5: Establish procedures to ensure the required annual balance is maintained in the Reserve account at the fiscal year end. Consider setting up monthly automatic transfers of funds to meet the annual Reserve account balance requirement.

Response #2021-5: The City of Lawtey has set up automatic transfers of funds on a monthly basis to ensure the reserve balance is maintained to meet the annual Reserve account balance requirement.

Sincerely,

Lisa Harley

Lisa Harley
City Clerk