

**CITY OF LAWTEY
LAWTEY, FLORIDA**

**AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2022**

**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 the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Lawtey, Florida's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Lawtey, Florida, as of September 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lawtey, Florida and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial

statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lawtey, Florida's 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, CPAs

Starke, Florida
July 20, 2023

City of Lawtey

Management's Discussion and Analysis
For the Year Ended September 30, 2022

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, 2022. 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 \$9,999 (or .1%) overall as a result of this year's operations. While the net position of the government activities increased by \$165,379 (or 10%), the net position of the business-type activities decreased by \$155,380 (or 3%).
- For the year, the City's general fund had expenses that were \$138,801 less than the \$734,930 generated in tax and other revenues for governmental programs.

Financial Analysis of the City as a Whole

As of September 30, 2022 and 2021, The City's combined net position totaled \$7,772,941 and \$7,762,942, 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	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets	\$1,059,358	\$581,642	\$287,728	\$326,681	\$1,347,086	\$908,323
Capital assets	985,936	971,999	7,876,129	8,107,745	8,862,065	9,079,744
Other assets	133,867	107,093	(133,867)	(107,093)	0	0
Total assets	2,179,161	1,660,734	8,029,990	8,327,333	10,209,151	9,988,067
Liabilities						
Current liabilities	382,245	22,048	76,695	173,698	458,940	195,746
Long-term liabilities	0	7,149	1,977,270	2,022,230	1,977,270	2,029,379
Total liabilities	382,245	29,197	2,053,965	2,195,928	2,436,210	2,225,125
Net position						
Net Investment in capital assets	985,936	959,358	5,853,899	6,042,245	6,839,835	7,001,603
Restricted	0	0	120,736	97,074	120,736	97,074
Unrestricted	810,980	672,179	1,390	(7,914)	812,370	664,265
Total net position	\$1,796,916	\$1,631,537	\$5,976,025	\$6,131,405	\$7,772,941	\$7,762,942

The following is a summary of the City's net change in net position for the years ended September 30, 2022 and 2021:

Summary of Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Program Revenues:						
Charges for Services	\$10,234	\$7,560	\$364,370	\$351,901	\$374,604	\$359,461
Grants and Contributions	132,569	31,727	4,045	516,739	136,614	548,466
Fines and Foreitures	262,241	239,585	0	0	262,241	239,585
General:						
Taxes	274,407	259,101	0	0	274,407	259,101
Other State-Shared	49,811	39,622	0	0	49,811	39,622
Other	5,667	639	103	103	5,770	742
Total Revenues	<u>734,929</u>	<u>578,234</u>	<u>368,518</u>	<u>868,743</u>	<u>1,103,447</u>	<u>1,446,977</u>
Program Expenses						
General Government	88,404	72,463	0	0	88,404	72,463
Public Safety	323,440	336,382	0	0	323,440	336,382
Transportation	123,307	115,539	0	0	123,307	115,539
Culture and Recreation	34,399	34,242	0	0	34,399	34,242
Water and Waste Utility	0	0	523,898	515,492	523,898	515,492
Total Expenses	<u>569,550</u>	<u>558,626</u>	<u>523,898</u>	<u>515,492</u>	<u>1,093,448</u>	<u>1,074,118</u>
Excess (Deficiency)	165,379	19,608	(155,380)	353,251	9,999	372,859
Beginning Net Position	<u>1,631,537</u>	<u>1,611,929</u>	<u>6,131,405</u>	<u>5,778,154</u>	<u>7,762,942</u>	<u>7,390,083</u>
Ending Net Position	<u>\$1,796,916</u>	<u>\$1,631,537</u>	<u>\$5,976,025</u>	<u>\$6,131,405</u>	<u>\$7,772,941</u>	<u>\$7,762,942</u>

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 \$810,980.

The total ending fund balance of the general fund reflects an increase of \$138,801 or 21% from the prior year's ending fund balance.

The proprietary funds net position reflects a decrease of \$155,380 or 3% from the prior years net position. This was primarily due to CDBG water distribution and fire protection grant revenue being received in the prior year and no additional significant grants awarded.

General Fund Budgetary Highlights

The City's actual revenues were less than budgeted revenues by over \$1,155,000. This was primarily due to the \$363,119 ARPA funds budgeted but not yet spent and the \$867,600 CDBG Drainage grant budgeted, but not yet in progress.

Total actual expenditures of the City were less than budgeted expenditures by over \$1,282,000. This was also primarily due to the ARPA and CDBG drainage grant.

Capital Asset and Debt Administration

Proprietary Fund - 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 transportation department acquired a dump truck for \$96,603 to be reimbursed by the State of Florida's Department of Economic Opportunity.

The City's drainage project is being funded by the U.S. Department of Housing and Urban Development, Community Development Block Grant. Engineering costs incurred totaled \$30,690. Construction has not begun.

The General fund paid off a previously outstanding note collateralized by a vehicle.

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, 2022

	GOVERNMENTAL ACTIVITES	BUSINESS-TYPE ACTIVITES	TOTAL
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$890,368	\$112,104	\$1,002,472
Cash and Cash Equivalents - Restricted	0	146,286	146,286
Accounts Receivable, Net	35,206	35,829	71,035
Grant Receivable - Restricted	127,293	0	127,293
Internal Balances	6,491	(6,491)	0
Total Current Assets	<u>1,059,358</u>	<u>287,728</u>	<u>1,347,086</u>
Capital Assets	<u>985,936</u>	<u>7,876,129</u>	<u>8,862,065</u>
Other Assets			
Internal Balances, Net of Current Portion	<u>133,867</u>	<u>(133,867)</u>	<u>0</u>
TOTAL ASSETS	<u><u>\$2,179,161</u></u>	<u><u>\$8,029,990</u></u>	<u><u>\$10,209,151</u></u>
LIABILITIES			
Accounts Payable - Unrestricted	\$13,799	\$4,974	\$18,773
Accounts Payable - Restricted	0	0	0
Payroll Liabilities	5,327	0	5,327
Customer Deposits	0	26,761	26,761
Unearned Revenue	363,119	0	363,119
Bonds Payable, Current Portion	0	44,960	44,960
Total Current Liabilities	<u>382,245</u>	<u>76,695</u>	<u>458,940</u>
Notes Payable, Noncurrent Portion	0	0	0
Bonds Payable, Noncurrent Portion	0	1,977,270	1,977,270
Total Noncurrent Liabilities	<u>0</u>	<u>1,977,270</u>	<u>1,977,270</u>
TOTAL LIABILITIES	<u>382,245</u>	<u>2,053,965</u>	<u>2,436,210</u>
NET POSITION			
Net Investment in Capital Assets	985,936	5,853,899	6,839,835
Restricted	0	120,736	120,736
Unrestricted	<u>810,980</u>	<u>1,390</u>	<u>812,370</u>
TOTAL NET POSITION	<u>1,796,916</u>	<u>5,976,025</u>	<u>7,772,941</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$2,179,161</u></u>	<u><u>\$8,029,990</u></u>	<u><u>\$10,209,151</u></u>

See accompanying notes to the financial statements.

CITY OF LAWTEY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FUNCTIONS / PROGRAMS	PROGRAM REVENUES				NET REVENUE (EXPENSE)
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Primary Government:					
Government Activities:					
General Government	\$88,404	\$10,234	\$0	\$0	(\$78,170)
Public Safety	323,440	262,241	0	0	(61,199)
Transportation	123,307	0	0	132,339	9,032
Culture and Recreation	34,399	0	230	0	(34,169)
Total Governmental Activities	<u>569,550</u>	<u>272,475</u>	<u>230</u>	<u>132,339</u>	<u>(164,506)</u>
Business-type Activities:					
Sewer System	170,082	118,292	0	0	(51,790)
Water Sysytem	316,138	219,873	0	4,045	(92,220)
Garbage System	37,678	26,205	0	0	(11,473)
Total Business-type Activities	<u>523,898</u>	<u>364,370</u>	<u>0</u>	<u>4,045</u>	<u>(155,483)</u>
Total Primary Government	<u>1,093,448</u>	<u>636,845</u>	<u>230</u>	<u>136,384</u>	<u>(319,989)</u>
			Primary Government		
			Governmental Activities	Business-type Activities	Total
Change in Net Position:					
Net Revenue (Expense)			<u>(164,506)</u>	<u>(155,483)</u>	<u>(319,989)</u>
General Revenues:					
Taxes:					
Property			29,212	0	29,212
Local Option Gas Tax			37,634	0	37,634
Discretionary Sales Surtax			107,641	0	107,641
Franchise Fees			40,723	0	40,723
Utility Tax			3,131	0	3,131
Half Cent Sales Tax			56,066	0	56,066
State Revenue Sharing			49,811	0	49,811
Investment Income			47	103	150
Miscellaneous			5,620	0	5,620
Total General Revenues			<u>329,885</u>	<u>103</u>	<u>329,988</u>
Change in Net Position			165,379	(155,380)	9,999
Net Position, Beginning of Year			<u>1,631,537</u>	<u>6,131,405</u>	<u>7,762,942</u>
Net Position, End of Year			<u>\$1,796,916</u>	<u>\$5,976,025</u>	<u>\$7,772,941</u>

See accompanying notes to the financial statements.

CITY OF LAWTEY

BALANCE SHEET - GOVERNMENTAL FUNDS SEPTEMBER 30, 2022

	<u>General Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$890,368
Grant Receivable	127,293
Due from Water Fund	6,491
Due from Other Governmental Units	<u>35,206</u>
Total Current Assets	<u>1,059,358</u>
Other Assets	
Due from Water Fund, Net of Current Portion	<u>133,867</u>
TOTAL ASSETS	<u><u>\$1,193,225</u></u>
 LIABILITIES AND FUND BALANCES	
 LIABILITIES	
Current Liabilities	
Accounts payable	\$13,799
Payroll Liabilities	5,327
Unearned Revenue	<u>363,119</u>
TOTAL LIABILITIES	<u>382,245</u>
 FUND BALANCES	
Assigned	41,502
Unassigned	<u>769,478</u>
TOTAL FUND BALANCES	<u>810,980</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$1,193,225</u></u>

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, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
General Revenues:				
Taxes				
Property	\$29,042	\$29,042	\$29,212	\$170
Local Option Gas Tax	40,000	40,000	37,634	(2,366)
Discretionary Sales Surtax	87,000	87,000	107,641	20,641
Franchise Taxes	33,500	33,500	40,723	7,223
Utility Tax	3,000	3,000	3,131	131
Intergovernmental programs	74,000	74,000	105,877	31,877
Fines and Forfeitures	260,000	260,000	262,241	2,241
Capital Grants and Contributions	1,351,719	1,351,719	132,339	(1,219,380)
Charges for Services	5,000	5,000	10,234	5,234
Miscellaneous	6,553	6,553	5,898	(655)
TOTAL REVENUES	1,889,814	1,889,814	734,930	(1,154,884)
EXPENDITURES				
Current:				
General Government	451,705	451,705	83,102	368,603
Public Safety				
Law Enforcement	280,901	280,901	266,131	14,770
Fire	21,500	21,500	19,826	1,674
Transportation	85,100	85,100	76,048	9,052
Culture and Recreation	10,000	10,000	9,862	138
Capital Outlay:				
Public Safety				
Law Enforcement	22,838	22,838	12,986	9,852
Fire	2,000	2,000	0	2,000
Transportation	1,002,600	1,002,600	128,174	874,426
TOTAL EXPENDITURES	1,876,644	1,876,644	596,129	1,280,515
REVENUES OVER (UNDER) EXPENDITURES	13,170	13,170	138,801	\$125,631
FUND BALANCE, BEGINNING OF YEAR	672,179	672,179	672,179	
FUND BALANCE, END OF YEAR	\$685,349	\$685,349	\$810,980	

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, 2022

Total Fund Balance - Total Governmental Funds \$810,980

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

Capital assets of \$2,555,287 net of accumulated
depreciation of \$1,569,351 are not financial resources
and, therefore, are not reported in the funds.

985,936

Total Net Position of Governmental Activities \$1,796,916

See accompanying notes to the financial statements.

CITY OF LAWTEY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For The Year Ended September 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$138,801

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 of \$127,292 exceeded depreciation expense of \$113,355

13,937

The acquisition of a vehicle through a note payable provides resources 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

12,641

Change in Net Position of Governmental Activities

\$165,379

See accompanying notes to the financial statements.

CITY OF LAWTEY

STATEMENT OF FUND NET POSITION - PROPRIETARY FUND SEPTEMBER 30, 2022

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$112,104
Cash and Cash Equivalents - Restricted	146,286
Accounts Receivable, net	35,829
Total Current Assets	<u>294,219</u>

Capital Assets, Net of

Accumulated Depreciation	<u>7,876,129</u>
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TOTAL ASSETS

\$8,170,348

LIABILITIES AND FUND NET POSITION

Current Liabilities

Accounts Payable - Unrestricted	\$4,974
Due to General Fund	6,491
Customer Deposits	26,761
Water and Sewer Revenue Bond, Current Portion	44,960
Total Current Liabilities	<u>83,186</u>

Other Liabilities

Due to General Fund, Net of Current Portion	133,867
Water and Sewer Revenue Bond, Non Current Portion	1,977,270
Total Other Liabilities	<u>2,111,137</u>

TOTAL LIABILITIES

2,194,323

FUND NET POSITION

Net Investment in Capital Assets	5,853,899
Restricted	120,736
Unrestricted	1,390
TOTAL FUND NET POSITION	<u>5,976,025</u>

TOTAL LIABILITIES AND FUND NET POSITION

\$8,170,348

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, 2022

OPERATING REVENUES	
Water Fees	\$219,873
Sewer Fees	118,292
Garbage Fees	26,205
	<hr/>
TOTAL OPERATING REVENUES	364,370
	<hr/>
OPERATING EXPENSES	
Personal Services	97,071
Depreciation	238,345
Utilities	21,927
Materials, Supplies, and Other Operating Expenses	100,128
	<hr/>
TOTAL OPERATING EXPENSES	457,471
	<hr/>
OPERATING INCOME (LOSS)	(93,101)
NON OPERATING REVENUES AND EXPENSES	
Grant Revenue	4,045
Interest Expense	(66,427)
Investment Income	103
	<hr/>
TOTAL NON OPERATING REVENUES AND EXPENSES	(62,279)
	<hr/>
NET INCREASE (DECREASE) IN FUND NET POSITION	(155,380)
FUND NET POSITION, BEGINNING OF YEAR	6,131,405
	<hr/>
FUND NET POSITION, END OF YEAR	<u>\$5,976,025</u>

See accompanying notes to the financial statements.

CITY OF LAWTEY

PROPRIETARY FUND STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$362,961
Payments to Suppliers of Goods and Services	(131,873)
Payments to Employees	(97,071)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>134,017</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) from General Fund	<u>6,491</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Capitalized Expenses	(97,516)
Interest payments on Revenue Bonds and Capital Lease	(66,427)
Principal Payments on Revenue Bonds	(43,270)
Proceeds from Capital Grants	99,103
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(108,110)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>103</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>103</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,501
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>225,889</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$258,390</u></u>
Unrestricted Cash and Cash Equivalents	\$112,104
Restricted Cash and Cash Equivalents	146,286
Total Cash and Cash Equivalents	<u><u>\$258,390</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	(\$93,101)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	238,345
Change in Current Assets and Current Liabilities	
Accounts Receivable, Net	(3,321)
Accounts Payable	(9,818)
Customer Deposits	1,912
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$134,017</u></u>

See accompanying notes to the financial statements.

CITY OF LAWTEY

Notes to the Financial Statements
For the Year Ended September 30, 2022

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, 2022, the Water Fund receivable is net of \$1,000 allowance.

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, 2022.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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

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, 2022, the restricted net position totaling \$120,736 consists of \$109,844 constrained for the revenue bond sinking fund and \$10,892 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, 2022, the assigned fund balance totaling \$41,502 consists of amounts assigned for: (1) fire department \$4,021, (2) police department of \$19,534, and (3) recreation and culture of \$17,947.

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, 2022, the Water Fund recognized approximately 37% 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:	
1 st Installment	No later than June 30
2 nd Installment	No later than September 30
3 rd Installment	No later than December 31
4 th Installment	No later than March 31

NOTE 4 – PROPERTY TAXES (concluded)

Regular Payments:
Discount Periods
No Discount Period
Delinquent Date

November – February
March
April 1

NOTE 5 – CAPITAL ASSETS

Capital asset activity for governmental activities the year ended September 30, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	\$ 35,834	\$ -	\$ -	\$ 35,834
Construction in Progress	-	30,690	-	30,690
Total	<u>35,834</u>	<u>30,690</u>	<u>-</u>	<u>66,524</u>
Capital Assets Depreciated:				
Buildings	167,915	-	-	167,915
Building Improvements	261,700	-	-	261,700
Infrastructure	795,465	-	-	795,465
Vehicles and Equipment	1,168,281	96,602	(1,200)	1,263,683
Total	<u>2,393,361</u>	<u>96,602</u>	<u>(1,200)</u>	<u>2,488,763</u>
Less Accumulated Depreciation:				
Buildings	(167,915)	-	-	(167,915)
Building Improvements	(168,403)	(12,578)	-	(180,981)
Infrastructure	(122,888)	(53,031)	-	(175,919)
Vehicles and Equipment	(997,990)	(47,746)	1,200	(1,044,536)
Total	<u>(1,457,196)</u>	<u>(113,355)</u>	<u>1,200</u>	<u>(1,569,351)</u>
Total Capital Assets being Depreciated, net	<u>936,165</u>	<u>(16,753)</u>	<u>-</u>	<u>919,412</u>
Capital Assets, Net	<u>\$ 971,999</u>	<u>\$ 13,937</u>	<u>\$ -</u>	<u>\$ 985,936</u>

NOTE 5 – CAPITAL ASSETS (concluded)

For the year ended September 30, 2022, depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 5,303
Public Safety	
Law Enforcement	20,340
Fire Department	32,104
Culture and Recreation	9,230
Transportation	<u>46,378</u>
 Total	 <u>\$ 113,355</u>

Capital asset activity for the enterprise fund for the year ended September 30, 2022, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Depreciated:				
Land	\$ 1,051	\$ -	\$ -	\$ 1,051
Construction in Progress	580,830	-	(580,830)	-
 Total	 581,881	 -	 (580,830)	 1,051
Capital Assets Depreciated:				
Sewer Plant	7,995,475	-	-	7,995,475
Water Plant	1,629,405	587,559	-	2,216,964
Machinery and Equipment	89,788	-	-	89,788
 Total	 9,714,668	 587,559	 -	 10,302,227
Less Accumulated Depreciation:				
Sewer Plant	(1,447,204)	(199,887)	-	(1,647,091)
Water Plant	(677,304)	(34,347)	-	(711,651)
Machinery and Equipment	(64,296)	(4,111)	-	(68,407)
 Total	 (2,188,804)	 (238,345)	 -	 (2,427,149)
 Total Capital Assets being Depreciated, net	 7,525,864	 349,214	 -	 7,875,078
 Capital Assets, Net	 <u>\$ 8,107,745</u>	 <u>\$ 349,214</u>	 <u>\$ (580,830)</u>	 <u>\$ 7,876,129</u>

NOTE 6 – INTERFUND BALANCES

The interfund balance is due primarily to operating costs and prior year expenditures related to the completed construction in 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, 2022:

	<u>Balance 10/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2022</u>	<u>Due Within One Year</u>
Governmental Activities					
Note Payable	\$12,641	\$0	\$12,641	\$0	\$0
Long-Term Liabilities	<u>12,641</u>	<u>0</u>	<u>12,641</u>	<u>0</u>	<u>0</u>
Business-Type Activities					
Revenue Bonds #92-01	652,000	0	17,000	635,000	18,000
Revenue Bonds #92-03	1,348,060	0	25,050	1,323,010	25,710
Revenue Bonds #92-06	65,440	0	1,220	64,220	1,250
Long-Term Liabilities	<u>\$2,065,500</u>	<u>\$0</u>	<u>\$43,270</u>	<u>\$2,022,230</u>	<u>\$44,960</u>

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.

NOTE 8 – LONG TERM OBLIGATIONS (concluded)

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, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$44,960	\$64,990	\$109,950
2024	45,660	63,472	109,132
2025	47,380	61,936	109,316
2026	49,130	60,336	109,466
2027	50,890	58,671	109,561
2028-2032	281,700	266,090	547,790
2033-2037	332,040	214,339	546,379
2038-2042	394,500	152,386	546,886
2043-2047	324,480	84,242	408,722
2048-2052	271,470	45,375	316,845
2053-2055	180,020	9,518	189,538
	<u>\$2,022,230</u>	<u>\$1,081,355</u>	<u>\$3,103,585</u>

NOTE 9 – COMMITMENTS AND SUBSEQUENT EVENTS

The City has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through July 20, 2023 the date the financial statements were available to be issued and has included the following information.

In January 2020, the City was awarded \$867,600 from the Florida Department of Economic Opportunity (DEO), 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 drainage project. As of September 30, 2022, 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, 2022, the remaining commitment for engineering services is \$90,010.

The City was awarded \$600,000 in Neighborhood Revitalization Funds under the Department of Economic Opportunity to be used on meter replacement. As of September 30, 2022, no contracts for the project have been entered into.

In August 2021, the City was awarded \$363,119 in Fiscal Recovery Funds under the American Rescue Plan Act. As of September 30, 2022, no amounts have been expended.

The following grant agreements have been approved after the fiscal year ended, September 30, 2022:

Small Community Outreach Program (SCOP), Department of Transportation (DOT) Grant in the amount of \$710,800 for Grove Street improvements and reconstruction between Lake Street and Washington Street.

Florida Department of Economic Opportunity (DEO) Grant in the amount of \$300,000 for the water system improvements design.

Suwannee River Water Management Grant in the amount of \$410,000 to be used towards water line improvements construction.

State Revolving Fund Loan for purposes of obtaining a Florida Department of Environmental Protection (DEP) Grant in the amount of \$266,000 for the water system improvement design. The DEP has advised the City to apply for a loan through the state's revolving fund that will be subsequently forgiven.

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***

REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 307 • 134 East Call Street • Starke, Florida 32091

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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 City of Lawtey, Florida, as of and for the year ended September 30, 2022, 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 July 20, 2023.

Report on 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) as a basis for designing 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 City of Lawtey, Florida's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described below, as item 2022-1 that we consider to be a significant deficiency.

Finding #2022-1: Grant funds automatically deposited into the General Fund were not properly transferred to the Water Fund.

Background #2022-1: \$89,949 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 #2022-1: Establish procedures to ensure grant funds received for the Water Fund are properly transferred and expended out of the Water Fund.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Lawtey, Florida's Response to Finding

The City of Lawtey, Florida's response to the finding 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
July 20, 2023

REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2022, and have issued our report thereon dated July 20, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the 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 and schedule, which are dated July 20, 2023, 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 financial audit report. The following audit findings in the preceding financial reports remain uncorrected.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2020-21 FY Finding #	2019-20 FY Finding #
2022-1	2021-4	

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

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the 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, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes. The City of Lawtey, Florida did not have any component units for the fiscal year.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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
July 20, 2023

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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, 2022. 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, 2022.

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
July 20, 2023

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

July 20, 2023

To the Honorable Mayor and Town 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 City of Lawtey for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 9, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 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, 2022. We noted no transactions entered into by City of Lawtey 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 are:

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 statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing 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 clearly 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. CDBG Grant Income	95,058.00	
CDBG Grant Expenses		14,920.00
Due from Water Fund		80,138.00
2. Due from Water Fund	90,787.00	
CDBG Grant Expenses		89,498.00
Miscellaneous Income		1,289.00

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 July 20, 2023.

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 City of Lawtey’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 City of Lawtey’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 City of Lawtey 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
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July 20, 2023

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 finding under Section 10-538(1), Rules of the Auditor General, State of Florida, for the year ended September 30, 2022.

Management's Response and Corrective Action

Finding #2022-1: Grant funds automatically deposited into the General Fund were not properly transferred to the Water Fund.

Recommendation #2022-1: Establish procedures to ensure grant funds received for the Water Fund are properly transferred and expended out of the Water Fund.

Response #2022-01: The City has established a procedure to ensure that all grant funds are properly transferred and expended from the General fund to the Water fund.

Sincerely,

Lisa Harley
City Clerk