

**CITY OF LAKE CITY, FLORIDA**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**



**MAYOR AND CITY COUNCIL**  
*As of Financial Statement Date*

**Stephen Witt**  
Mayor

**Jake Hill**  
Councilmember

**James Carter**  
Councilmember

**Chevella Young**  
Councilmember

**Ricky Jernigan**  
Councilmember

**APPOINTED OFFICIALS**

**City Manager**  
Demetrius Johnson

**Finance Director**  
Angela Moore

**City Attorney**  
Clay Martin

**City Clerk**  
Audrey Sikes

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor, City Council, and City Manager,  
City of Lake City, Florida:

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Fire Department, and the Community Redevelopment Agency funds 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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'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.

### ***Auditors' 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 auditors' 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 GAAS and GAS 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 GAAS and GAS, 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'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'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 and required supplementary information, as listed in the table of contents, 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.

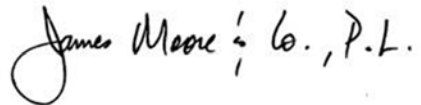
### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, schedule of net revenues and debt service coverage, and schedule of expenditures of federal awards and state financial assistance as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Florida Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of net revenues and debt service coverage, and schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, on our consideration of the City'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 the effectiveness of 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 the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial "J" and a distinct "Co." followed by "P.L.".

Gainesville, Florida  
June 25, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake City, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. Management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

### Financial Highlights

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$125,526,993. Of this amount, \$36,122,445 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,561,409. Government activities generated an increase of \$1,491,650 while the business-type activities increased by \$2,828,644.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$30,994,054. Of this total amount \$20,247,564 is available for spending at the City's discretion (unassigned fund balance).

### Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business, in that all governmental and business-type activities are consolidated into columns which add up to a total for the primary government.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highway and streets, airport, physical environment, economic environment, culture and recreation, and health and welfare. Property taxes, utility service taxes, gas taxes, and sales taxes, along with the City's charges for services and interfund charges, finance the majority of these services. The business-type activities include natural gas, and water and wastewater, where the fees for service typically cover all or most of the cost of operation including depreciation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term* inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's *near-term* financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's *near-term* financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eleven individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Fire Department, Airport Capital Projects, Sales Tax Bond and the Community Redevelopment Agency Fund, which are considered to be major funds. Data included in the other governmental funds consists of governmental funds that are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on page 77 and 78 of this report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget.

### **Proprietary Funds**

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds to account for the following operations: natural gas distribution, and the water and wastewater utilities. The City has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the natural gas and water and wastewater utility fund, which are considered to be major funds of the City.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City utilizes fiduciary funds to account for its employees' retirement plans.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)

**Notes to the Financial Statements**

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$125,526,993 at the close of the most recent fiscal year.

**City of Lake City's Net Position**

The largest portion of the City's net assets or \$82,080,724 reflects its investment in capital assets (i.e., land, utility plant and improvements, equipment, buildings, improvements, machinery and equipment, and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net assets, \$7,323,824 represents resources that are subject to external restrictions on how they may be used (restricted net assets).

The unrestricted net asset balance of \$36,122,445 is intended to be a corporate-style measurement of the City's current financial standing and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)

**City of Lake City Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Current and Other Assets	\$ 39,410,950	\$ 33,698,651	\$ 25,726,413	\$ 23,503,951	\$ 65,137,363	\$ 57,202,602
Capital Assets	53,380,641	50,393,693	69,977,784	70,876,653	123,358,425	121,270,346
Total Assets	92,791,591	84,092,344	95,704,197	94,380,604	188,495,788	178,472,948
Deferred Outflow of Resources	7,875,180	11,082,034	2,220,758	2,820,549	10,095,938	13,902,583
Current Liabilities	3,223,161	3,795,570	6,192,708	6,030,063	9,415,869	9,825,633
Long-term liabilities	19,628,877	20,254,587	33,820,896	36,209,532	53,449,773	56,464,119
Total liabilities	22,852,038	24,050,157	40,013,604	42,239,595	62,865,642	66,289,752
Deferred Inflows of Resources	9,240,960	4,283,213	958,131	836,982	10,199,091	5,120,195
Net Position						
Net Investment in Capital Assets	42,751,535	40,078,047	39,329,189	39,112,243	82,080,724	79,190,290
Restricted	3,696,003	3,526,832	3,627,821	3,317,704	7,323,824	6,844,536
Unrestricted	22,126,235	23,236,129	13,996,210	11,694,629	36,122,445	34,930,758
Total net position	\$ 68,573,773	\$ 66,841,008	\$ 56,953,220	\$ 54,124,576	\$ 125,526,993	\$ 120,965,584

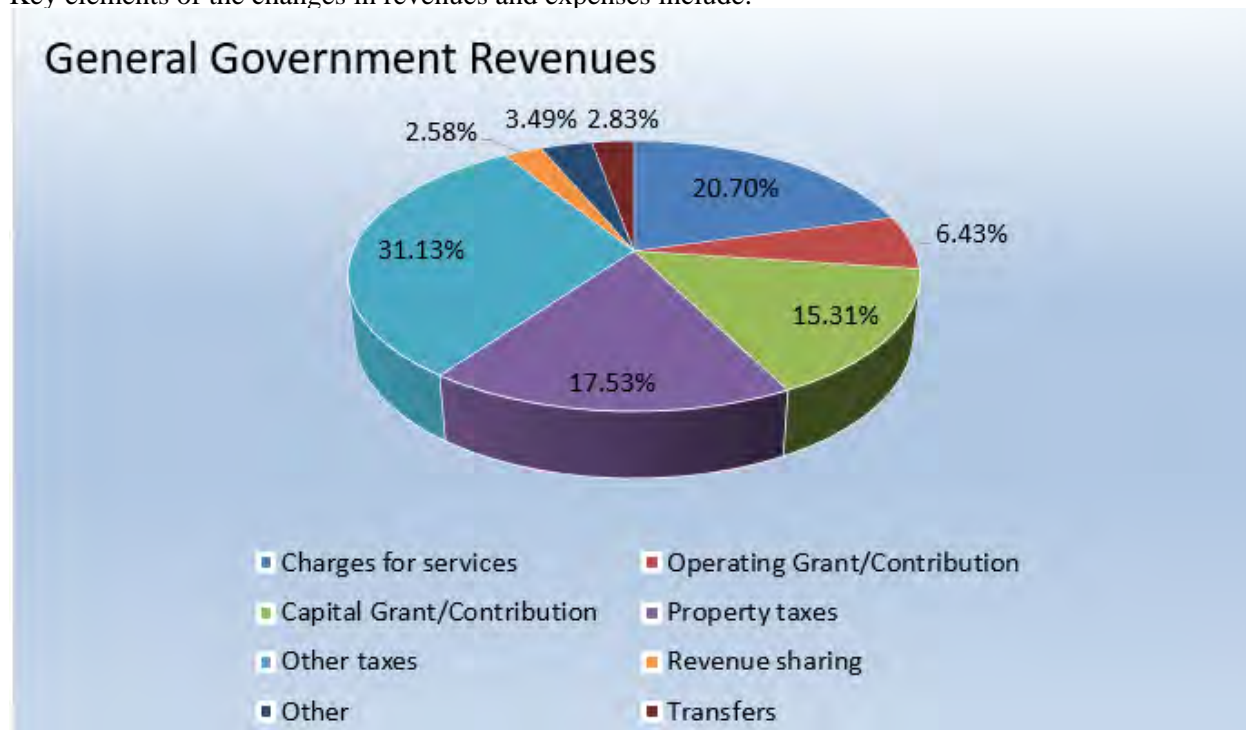
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 23	FY 22	FY 23	FY 22	FY 23	FY 22
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 5,320,798	\$ 4,956,879	\$ 22,961,791	\$ 21,650,744	\$ 28,282,589	26,607,623
Operating grants and contributions	1,652,738	7,862,554	526,646	979,469	2,179,384	8,842,023
Capital grant and contributions	3,936,560	566,157	312,351	2,919,556	4,248,911	3,485,713
Property taxes	4,505,596	4,082,712			4,505,596	4,082,712
Sales taxes	3,731,327	3,710,047			3,731,327	3,710,047
Casualty and fire insurance premium taxes	165,145	141,291			165,145	141,291
Public service taxes	1,610,087	1,471,390			1,610,087	1,471,390
Other taxes	747,456	680,653			747,456	680,653
Franchise taxes	1,746,850	1,608,319			1,746,850	1,608,319
State revenue sharing	663,727	630,465			663,727	630,465
Other governmental revenues	221,101	675,625			221,101	675,625
Investment earnings	567,293	(7,807)	82,385	30,071	649,678	22,264
Miscellaneous revenues	108,053	143,057	274,836	63,404	382,889	206,461
Loss on disposal of capital assets			8,925	8,000	8,925	8,000
Total Revenues and transfers	24,976,731	26,521,342	24,166,934	25,651,244	49,143,665	52,172,586
<b>EXPENSES</b>						
General Government	4,700,006	3,223,240			4,700,006	3,223,240
Public Safety	10,558,072	8,845,272			10,558,072	8,845,272
Highway and Streets	3,901,511	3,547,709			3,901,511	3,547,709
Airport	3,526,179	3,376,237			3,526,179	3,376,237
Health and Welfare	326,630	521,458			326,630	521,458
Economic Environment	55,627	250,372			55,627	250,372
Physical Environment	540,282	516,343			540,282	516,343
Culture and Recreation	46,916	49,919			46,916	49,919
Interest on Long Term Debt	317,414	320,902			317,414	320,902
Water and Sewer Utility			15,503,157	14,006,311	15,503,157	14,006,311
Natural Gas Utility			5,106,462	5,112,073	5,106,462	5,112,073
Total Expenses	23,972,637	20,651,452	20,609,619	19,118,384	44,582,256	39,769,836
Increase (Decrease) in net assets before transfers	1,004,094	5,869,889	3,557,315	6,532,860	4,561,409	12,402,749
Transfers	728,671	910,000	(728,671)	(910,000)	-	-
Increase (Decrease) in net assets	1,732,765	6,779,889	2,828,644	5,622,860	4,561,409	12,402,749
Net Assets -						
Net position - beginning	66,841,008	60,061,119	54,124,576	48,501,716	120,965,584	108,562,835
Net Position - Ending	\$ 68,573,773	\$ 66,841,008	\$ 56,953,220	\$ 54,124,576	\$ 125,526,993	\$ 120,965,584

MANAGEMENT’S DISCUSSION AND ANALYSIS  
(continued)

**Governmental Activities**

Governmental activities before transfers decreased the City’s net assets \$5,047,124. Revenues for the City’s governmental activities decreased \$1,544,611 and total expenses increased \$3,321,185 for 2023.

Key elements of the changes in revenues and expenses include:



**Revenue:**

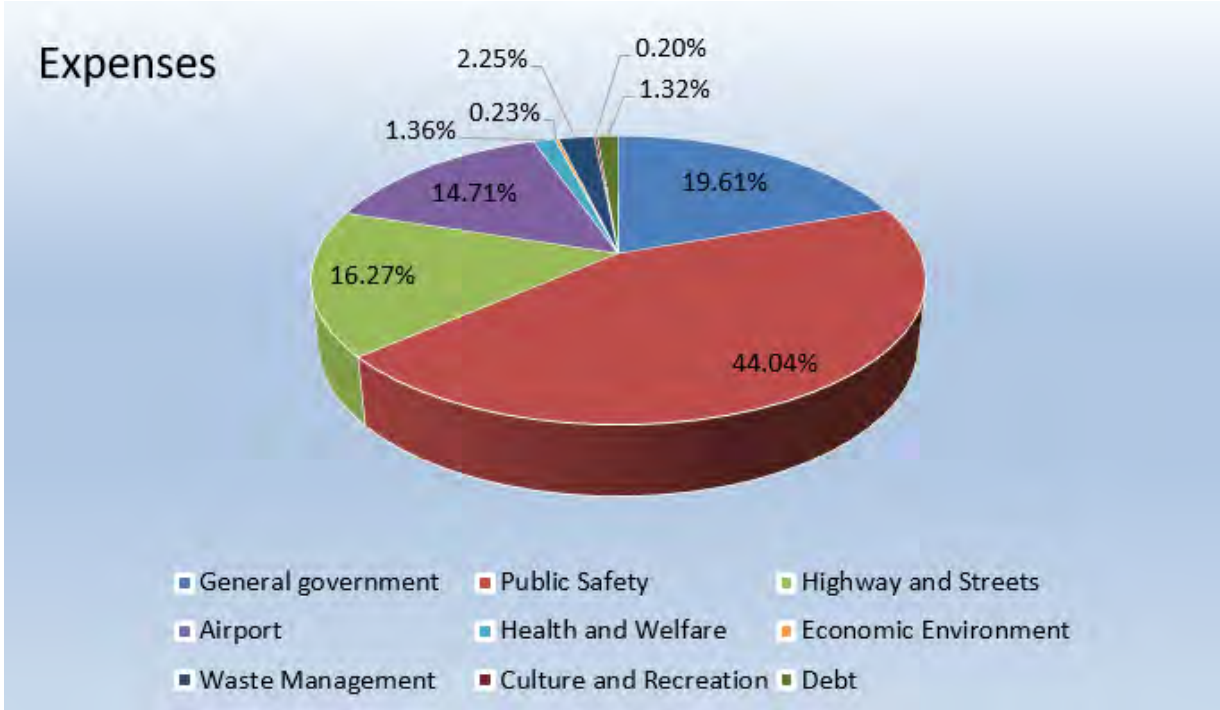
- Charges for services overall in 2023 were up \$363,919. This was mainly due to an increase in gas sales at the airport, which occurred as the cost of purchased gas rose again and sales prices were adjusted to cover the increased cost. Additionally, the revenue from the Blanche Hotel increased by \$70,108 as more businesses rented space.
- Operating grants decreased in 2023 by \$6,209,816. The drastic difference is because the City received \$6,186,544 in American Rescue Plan Act funds in FY 2022. The ARPA funds are a one time grant that was awarded to state and local governments.
- Capital grants increased \$3,370,403 in FY 2023. At the Lake City Gateway Airport, the design and rehabilitation of runway 5-23 was complete for which the City received \$1,015,178 in grant funding from the FDOT. The airport also received grants from the FAA and FDOT for the rehabilitation and realignment Taxiway C in the amount of \$2,156,137.
- Ad valorem increased in the amount of \$422,884 in the General & CRA Funds as the City continues to maintain its ad valorem rate of 4.9 mils.
- Other taxes, which include utility, sales tax, revenue sharing and discretionary sales tax, increased \$66,803 during the year. Sales taxes were up \$21,280 and Franchise & utility taxes also increased \$138,531.
- State shared revenues, which includes the 1% discretionary sales tax, was up \$33,262 for the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)

- Investment earnings on accounts increased \$575,100 as market rates have continued to steadily increase.

**Expenses:**

- Governmental spending overall increased \$3,321,185 from 2022. The breakdown of changes is outlined below.



- General government expenditures increased \$1,476,766. In General Building, the City-Wide and City-Park Camera System was continued totaling \$372,823 Public Works upgraded their fleet with the addition of a new street sweeper at a cost of \$309,159, a new Mack Dump Truck at a cost of \$329,201 and a Mower Max at a cost of \$227,776. Repairs were made to Memorial Stadium at a cost of \$66,525 and the IT Dept. purchased a new VX Rail System at a cost of \$159,034.
- Public Safety expenditures increased \$1,712,800 due to the police and fire unions negotiating higher wages in a continued effort to combat the staffing shortages, along with the completion of the new fire station.
- Highway and Street costs increased \$353,802, again mostly related to the increase in cost of supplies and fuel.
- Airport net expenditures increased \$149,942. Operating expenses remained consistent with the previous year except for the increase in Jet-A and Av Gas prices, which were covered by sales.

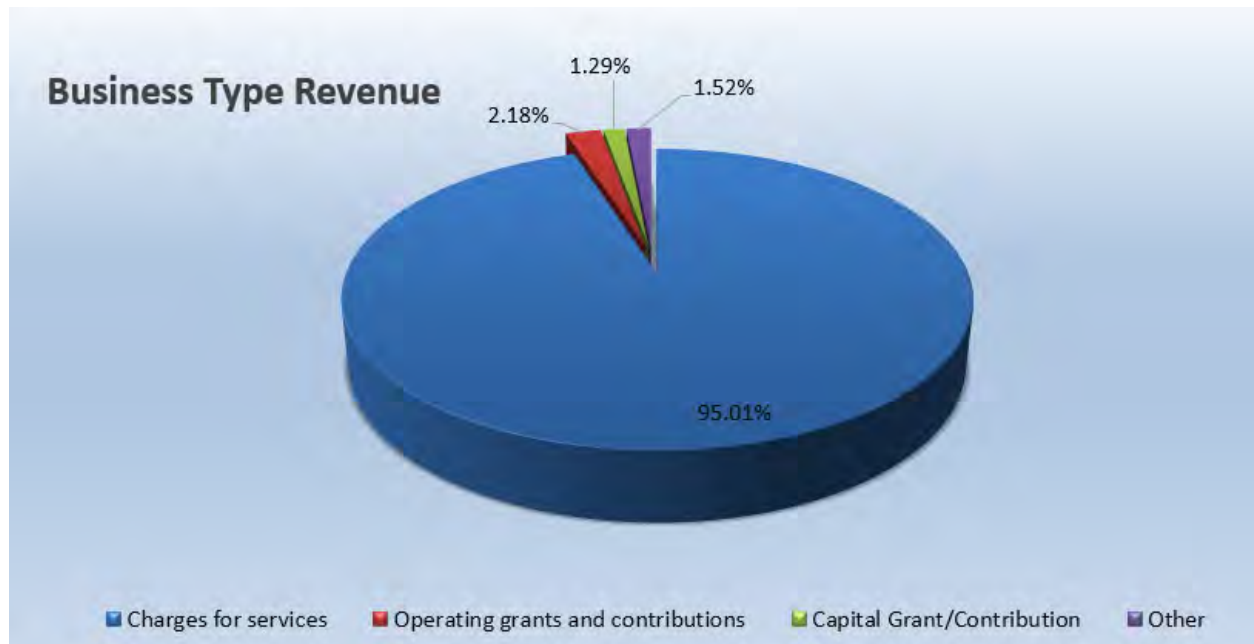
MANAGEMENT’S DISCUSSION AND ANALYSIS  
(continued)

**Business-type Activities**

Business-type activities before transfers decreased the City’s net assets by \$2,975,545 for fiscal year 2023. Revenues for the City’s business-type activities decreased \$1,484,310 while total expenses increased \$1,491,235 for fiscal year 2023. Elements of the changes in revenues and expenses include:

**Revenue:**

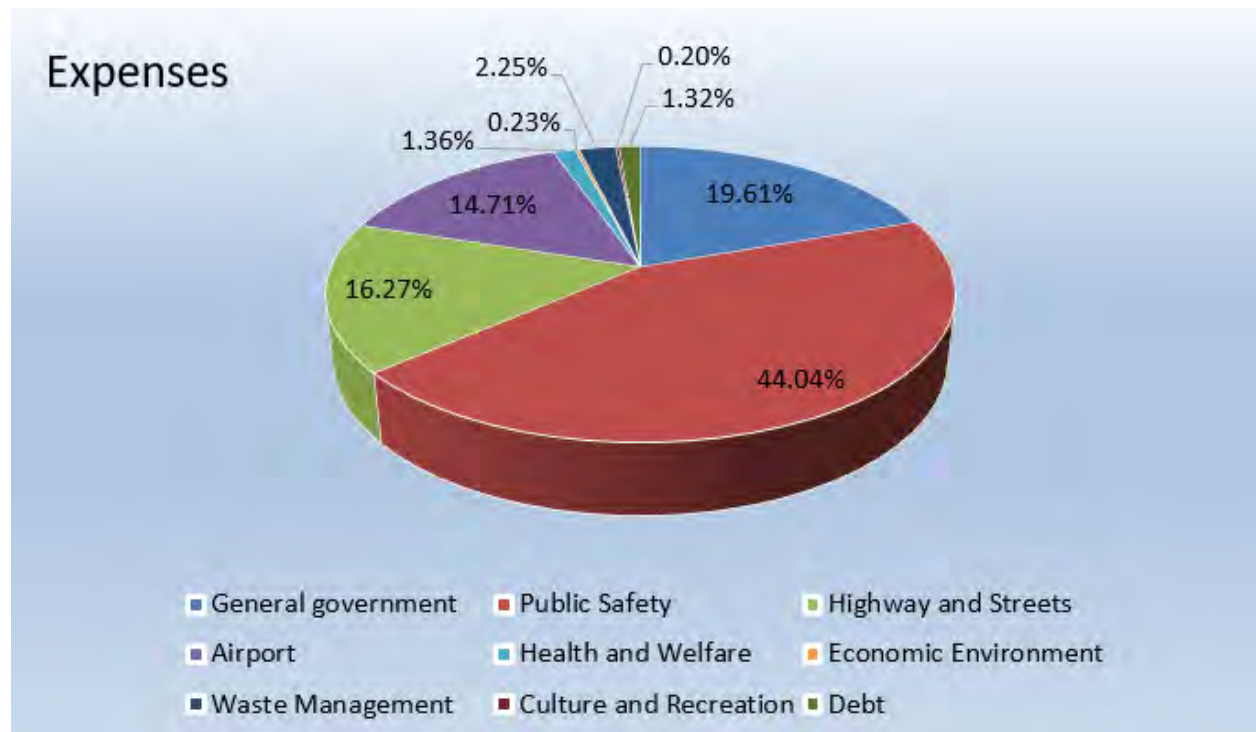
- Charges for services increased \$1,311,047 from the previous year. Gas consumption only increased to 4,640,628 therms sold in fiscal year 2023 from 4,635,423 therms in the prior year as the City did not have any substantial growth in gas services. Water & Sewer charges increased 8.52% from the prior year’s increase of 5.37% per the Consumer Price Index. The 3.15% increase in the CPI from the prior year helped generate an increase of \$1,348,624 in water and sewer revenues.
- Capital grants decreased \$2,607,205 during FY 2023. The first initial grant in the amount of \$2,697,456, awarded previously from the Department of Environmental Protection to design and construct sewer lines to SR 47 and I-75 interchange, was completed in fiscal year 2022, resulting in the decrease in capital grants.
- During 2023, other non-operating revenues increased \$211,432 and of that \$154,939 was due to the return and sales of enterprise fleet vehicles during the year.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)

**Expenses:**

- Water and sewer costs increased overall \$1,496,846 during the year. Personnel services increased \$463,137 from 2022 due to the 6% cost of living adjustment that council approved in the budget. The operating expense for the water and sewer departments rose \$811,218 from the past year. This increase was a direct result of two water main line breaks, which necessitated significant repairs to several roads.
- Natural gas contract services and materials decreased \$5,611 as gas prices stabilized. The City sold 4,640,628 therms of gas in 2023 compared to 4,635,423 therms in 2022 at a lower cost per therm than the previous year due to increased purchased gas costs.
- Overall, business-type activities did not have any major increases in infrastructure; as water and sewer continued with ongoing projects such as the I-75 / SR 47 Septic to Sewer and the upgrades to Saint Margarets Wastewater Treatment Plant.



MANAGEMENT’S DISCUSSION AND ANALYSIS  
(continued)

**The City’s Funds**

As the City completed the year, its governmental funds reported a combined fund balance of \$30,994,054, which is a 2.03% percent increase over the previous year. Approximately 27.57% percent or \$20,247,564 of the fund balance constitutes an unassigned fund balance, which is available for spending at the government’s discretion. Non-spendable fund balance of .4% is comprised of:

❖ Inventory	\$ 130,622
❖ Prepaids	\$ 3,565

**Business-type Funds**

The City’s proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City’s business-type activities.

**Budgetary Highlights – Governmental Activities**

For fiscal year 2023, the City adopted a balanced budget in the General Fund. The General Fund had an original budget of \$27,266,800; the final amended budget was \$27,266,800.

The following is a brief overview of the budgeting changes of \$378,500 from the original budget to the final budget.

**Governmental Funds**

- The City entered into an agreement with Columbia County to provide funding for the County’s Senior Home Repair Program for a 3<sup>rd</sup> payment in the amount of \$250,000.
- There were minor adjustments to cover some operating expenses that exceeded the original budget.
- There were also unanticipated grants awarded to the Police Department and the Airport in the middle of the fiscal year. These grants were not budgeted for, however the grant revenues offset the expenditures.

**Business-Type Funds**

- In the Water Sewer Fund, an adjustment was made to cover the costs of the new online payment solution for utility billing in the amount of \$33,700. There was also an adjustment to purchase the isolation transfer that was ordered and budgeted in fiscal year 2022, but did not arrive until fiscal year 2023.
- In the Natural Gas Fund, there was an adjustment made to other current charges in the amount of \$217,000. This is due to the increase cost of natural gas from our supplier that was more than what was budgeted for the year.

**Capital Assets and Debt Administration**

**Capital Assets**

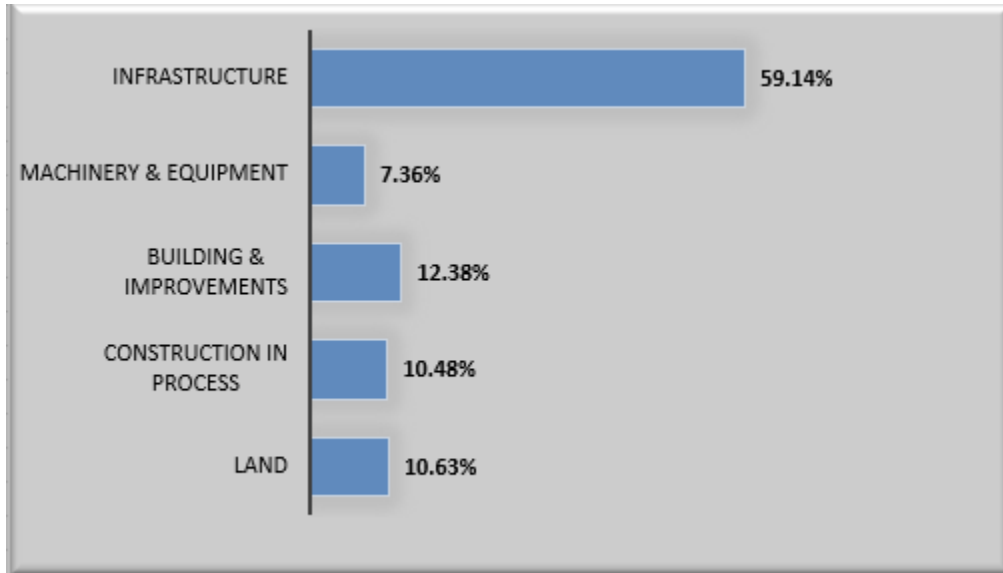
At the end of fiscal year 2023, the City had \$123,358,425 invested in a broad range of capital assets. This amount represents a net increase of \$2,088,079 over last year.

MANAGEMENT’S DISCUSSION AND ANALYSIS  
(continued)

Capital Assets at Year End  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Land	\$ 7,883,051	\$ 7,805,259	\$ 5,234,282	\$ 5,234,282	\$ 13,117,333	\$ 13,039,541
Construction in Process	3,657,775	3,252,388	9,271,428	7,795,849	12,929,203	11,048,237
Building & Improvements	10,611,448	7,925,329	4,666,266	4,775,161	15,277,714	12,700,490
Machinery & equipment	3,652,376	3,157,059	5,425,697	6,165,812	9,078,073	9,322,871
Infrastructure	27,575,991	28,253,658	45,380,111	46,905,549	72,956,102	75,159,207
<b>Totals</b>	<b>\$ 53,380,641</b>	<b>\$ 50,393,693</b>	<b>\$ 69,977,784</b>	<b>\$ 70,876,653</b>	<b>\$ 123,358,425</b>	<b>\$ 121,270,346</b>

Capital Assets by Class:



Major capital asset acquisitions and reclassifications from construction in progress to infrastructure and building improvements for 2023 include:

**General Government**

Fire Station No. 2	Fire	\$ 3,165,829
Runway 5-23 Rehabilitation	Airport	\$ 1,446,113
Magnolia/Ward Property	General	\$ 77,795
Street Sweeper	Public Works	\$ 309,159

**Business-Type Activities**

Isolation Transformer	Water Sewer	\$ 40,941
Pipe & Fittings D/C Filter System	Water Sewer	\$ 110,225
Saint Margarets Office Rehabilitation	Water Sewer	\$ 110,189
Ozone Generator Refurbishment	Water Sewer	\$ 249,540

Additional information on the City’s capital assets can be found in Note 6 of the notes to the financial statements.



MANAGEMENT’S DISCUSSION AND ANALYSIS  
(continued)

**Long-term Debt**

At the end of the current fiscal year, the City had total bond debt outstanding of \$43,962,530 net of unamortized premiums and discounts.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue bonds/leases	\$11,600,572	\$12,474,586	\$ 32,361,958	\$ 34,881,917	\$ 43,962,530	\$ 47,356,503

Additional information on the City’s long-term debt can be found in Note 8 of the notes to the financial statements.

The City considered many factors when preparing the fiscal year 2023 budgetary estimates. Some of the major considerations were local and national economic factors, which included:

- Seasonally adjusted unemployment rate for Florida in September 2023 was 3.0%, which was up from the previous year rate of 2.7%. Columbia County averaged 3.8%. The City continued experiencing difficulty hiring qualified applicants as workforce competition continues to hold steady.
- The City’s budget is generally built around historical costs, noting the trends of the market. During 2023, with an annual inflation rate increase of 3.4%, it was expected that costs would be rising and the budget was adjusted accordingly.
- Consumer prices twelve-month average increased 3.4% for all urban consumers. Food prices increased 5.8% while energy increased 6.2% in 2023.
- Property values in Florida have been steadily increasing due to the state's high population growth rate, which surpassed the national average in 2023 at 1.6%, with Florida ranking number two in the nation as fastest growing *and* largest change in population, adding 365,205 residents, per the

U.S. Census Bureau. This continued growth is impacting utility demands, infrastructure, and continues to cause housing prices to rise.

- The escalating costs of materials, coupled with supply chain challenges in procuring certain items, prompted an assessment of ongoing projects to ascertain their feasibility for completion.

**Financial Contact**

The City’s financial statements are designed to present users with a general overview of the City’s finances and to demonstrate the City’s accountability. If you have any questions concerning any of the information provided in this report or need additional financial information, contact the City’s Finance Director at City Hall located at 205 North Marion Avenue, Lake City, Florida, 32055.

## **BASIC FINANCIAL STATEMENTS**

These basic financial statements contain Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

**CITY OF LAKE CITY, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 23,189,885	\$ 15,838,491	\$ 39,028,376
Investments	4,778,898	-	4,778,898
Receivables, net	614,072	3,107,251	3,721,323
Leases receivable	6,615,029	-	6,615,029
Due from other governments	3,453,695	419,105	3,872,800
Inventories	130,662	403,977	534,639
Prepaid items	3,565	7,945	11,510
Net pension asset	625,144	-	625,144
Restricted assets:			
Equity in pooled cash	-	5,949,644	5,949,644
Capital assets:			
Capital assets, not being depreciated	11,540,826	14,505,710	26,046,536
Other capital assets, net of depreciation	41,839,815	55,472,074	97,311,889
Total assets	<u>\$ 92,791,591</u>	<u>\$ 95,704,197</u>	<u>\$ 188,495,788</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	\$ -	\$ 83,918	\$ 83,918
Deferred outflows related to pensions	7,869,281	2,133,099	10,002,380
Deferred outflows related to OPEB	5,899	3,741	9,640
Total deferred outflows	<u>\$ 7,875,180</u>	<u>\$ 2,220,758</u>	<u>\$ 10,095,938</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,105,563	\$ 1,124,931	\$ 2,230,494
Customer deposits	101,110	1,423,211	1,524,321
Retainage payable	246,036	-	246,036
Unearned revenue	48,630	471,755	520,385
Accrued interest payable	112,635	139,431	252,066
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	674,921	2,586,850	3,261,771
Financed purchase agreements	222,549.00	80,458	303,007
Compensated absences	711,717	366,072	1,077,789
Due in more than one year:			
Bonds and notes payable, net	9,759,131	29,526,785	39,285,916
Financed purchase agreements	943,971	167,865	1,111,836
Compensated absences	218,176	150,980	369,156
Total OPEB liability	243,589	154,486	398,075
Net pension liability	8,464,010	3,820,780	12,284,790
Total liabilities	<u>\$ 22,852,038</u>	<u>\$ 40,013,604</u>	<u>\$ 62,865,642</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	\$ 2,925,677	\$ 942,357	\$ 3,868,034
Deferred inflows related to OPEB	24,870	15,774	40,644
Deferred inflows related to leases	6,290,413	-	6,290,413
Total deferred inflows	<u>\$ 9,240,960</u>	<u>\$ 958,131</u>	<u>\$ 10,199,091</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 42,751,535	\$ 39,329,189	\$ 82,080,724
Restricted for:			
Public safety	128,082	-	128,082
Community redevelopment projects	270,667	-	270,667
Airport	937,257	-	937,257
Debt service	34,763	670,380	705,143
Capital improvements	-	2,957,441	2,957,441
Pension benefits	364,233	-	364,233
Unrestricted	24,087,236	13,996,210	38,083,446
Total net position	<u>\$ 68,573,773</u>	<u>\$ 56,953,220</u>	<u>\$ 125,526,993</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 4,700,006	\$ 303,792	\$ 14,203	\$ -	\$ (4,382,011)	\$ -	\$ (4,382,011)
Public safety	10,558,072	2,319,003	-	107,201	(8,131,868)	-	(8,131,868)
Highway and street	3,901,511	-	1,638,535	60,740	(2,202,236)	-	(2,202,236)
Airport	3,526,179	2,091,638	-	3,768,619	2,334,078	-	2,334,078
Health and welfare	326,630	-	-	-	(326,630)	-	(326,630)
Economic environment	55,627	-	-	-	(55,627)	-	(55,627)
Physical environment	540,282	599,090	-	-	58,808	-	58,808
Culture and recreation	46,916	7,275	-	-	(39,641)	-	(39,641)
Interest on long-term debt	317,414	-	-	-	(317,414)	-	(317,414)
Total governmental activities	<u>23,972,637</u>	<u>5,320,798</u>	<u>1,652,738</u>	<u>3,936,560</u>	<u>(13,062,541)</u>	<u>-</u>	<u>(13,062,541)</u>
Business-type activities:							
Water-sewer utility	15,503,157	17,428,877	42,899	796,098	-	2,764,717	2,764,717
Natural gas	5,106,462	5,532,914	-	-	-	426,452	426,452
Total business-type activities	<u>20,609,619</u>	<u>22,961,791</u>	<u>42,899</u>	<u>796,098</u>	<u>-</u>	<u>3,191,169</u>	<u>3,191,169</u>
Total primary government	<u>\$ 44,582,256</u>	<u>\$ 28,282,589</u>	<u>\$ 1,695,637</u>	<u>\$ 4,732,658</u>	<u>(13,062,541)</u>	<u>3,191,169</u>	<u>(9,871,372)</u>
General revenues:							
Property taxes					4,505,596	-	4,505,596
Sales taxes					3,731,327	-	3,731,327
Casualty and fire insurance premium taxes					165,145	-	165,145
Public service taxes					1,610,087	-	1,610,087
Other taxes					747,456	-	747,456
Franchise and utility taxes					1,746,850	-	1,746,850
State revenue sharing					663,727	-	663,727
Other intergovernmental revenues					221,101	-	221,101
Investment earnings (loss)					567,293	82,385	649,678
Miscellaneous revenues					108,053	274,836	382,889
Gain on disposal of capital assets					-	8,925	8,925
Transfers					728,671	(728,671)	-
Total general revenues and transfers					<u>14,795,306</u>	<u>(362,525)</u>	<u>14,432,781</u>
Change in net position					1,732,765	2,828,644	4,561,409
Net position - beginning					66,841,008	54,124,576	120,965,584
Net position - ending					<u>\$ 68,573,773</u>	<u>\$ 56,953,220</u>	<u>\$ 125,526,993</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023**

	General	Fire Department	Community Redevelopment Agency	Airport Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Equity in pooled cash and cash equivalents	\$ 20,058,216	\$ 152,439	\$ 262,467	\$ -	\$ 2,716,763	\$ 23,189,885
Investments	4,778,898	-	-	-	-	4,778,898
Receivables, net	605,864	-	-	7,500	708	614,072
Due from other governments	1,006,102	67,629	9,000	2,354,340	16,624	3,453,695
Leases receivable	-	-	-	-	6,615,029	6,615,029
Due from other funds	2,015,725	-	-	-	-	2,015,725
Inventories	6,629	-	-	-	124,033	130,662
Prepaid items	1,573	-	-	-	1,992	3,565
Total assets	<u>\$ 28,473,007</u>	<u>\$ 220,068</u>	<u>\$ 271,467</u>	<u>\$ 2,361,840</u>	<u>\$ 9,475,149</u>	<u>\$ 40,801,531</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 534,491	\$ 103,437	\$ -	\$ 448,056	\$ 19,579	\$ 1,105,563
Customer deposits	310	-	800	-	100,000	101,110
Retainage payable	-	-	-	246,036	-	246,036
Unearned revenue	3,000	-	-	-	45,630	48,630
Due to other funds	-	102,055	-	1,893,069	20,601	2,015,725
Total liabilities	<u>537,801</u>	<u>205,492</u>	<u>800</u>	<u>2,587,161</u>	<u>185,810</u>	<u>3,517,064</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to leases	-	-	-	-	6,290,413	6,290,413
<b>FUND BALANCES</b>						
Nonspendable:						
Inventories	6,629	-	-	-	124,033	130,662
Prepaid items	1,573	-	-	-	1,992	3,565
Restricted for:						
Public safety	-	-	-	-	1,792,223	1,792,223
Airport	-	-	-	-	937,257	937,257
Debt service	-	-	-	-	147,398	147,398
Community redevelopment	-	-	270,667	-	-	270,667
Assigned to:						
American Rescue Plan Act	5,033,215	-	-	-	-	5,033,215
Subsequent year's budget	2,175,812	-	-	-	-	2,175,812
Public safety	-	14,576	-	-	-	14,576
Unassigned	20,717,977	-	-	(225,321)	(3,977)	20,488,679
Total fund balances	<u>27,935,206</u>	<u>14,576</u>	<u>270,667</u>	<u>(225,321)</u>	<u>2,998,926</u>	<u>30,994,054</u>
Total liabilities and fund balances	<u>\$ 28,473,007</u>	<u>\$ 220,068</u>	<u>\$ 271,467</u>	<u>\$ 2,361,840</u>	<u>\$ 9,475,149</u>	<u>\$ 40,801,531</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023**

<b>Fund balances - total governmental funds</b>		<b>\$ 30,994,054</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	108,056,206	
Less: accumulated depreciation	<u>(54,675,565)</u>	53,380,641
On the governmental fund statements, a net pension liability (asset) is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability (asset) of the defined benefit pension plans is reported as a noncurrent liability (asset). Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(8,464,010)	
Net pension asset	625,144	
Deferred outflows related to pensions	7,869,281	
Deferred inflows related to pensions	<u>(2,925,677)</u>	(2,895,262)
On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.		
Total OPEB liability	(243,589)	
Deferred outflows related to OPEB	5,899	
Deferred inflows related to OPEB	<u>(24,870)</u>	(262,560)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:		
Bonds and notes payable	(10,434,052)	
Accrued interest payable	(112,635)	
Financed purchase agreements	(1,166,520)	
Compensated absences	<u>(929,893)</u>	(12,643,100)
<b>Net position of governmental activities</b>		<u><u>\$ 68,573,773</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General	Fire Department	Community Redevelopment Agency	Airport Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 10,520,328	\$ -	\$ 117,246	\$ -	\$ -	\$ 10,637,574
Franchise fees and permits	1,781,995	-	-	-	-	1,781,995
Intergovernmental	2,512,644	90,577	193,496	3,768,619	16,624	6,581,960
Charges for services	2,269,859	2,165,694	2,950	-	2,036,958	6,475,461
Fines and forfeitures	55,794	-	-	-	-	55,794
Investment income (loss)	246,513	2,346	796	-	317,638	567,293
Miscellaneous	184,517	23,783	-	-	67,302	275,602
<b>Total revenues</b>	<u>17,571,650</u>	<u>2,282,400</u>	<u>314,488</u>	<u>3,768,619</u>	<u>2,438,522</u>	<u>26,375,679</u>
<b>Expenditures</b>						
Current:						
General government	4,524,664	-	-	-	-	4,524,664
Public safety	5,695,055	2,913,671	-	-	9,871	8,618,597
Highway and street	2,968,407	-	-	-	-	2,968,407
Airport	-	-	-	48,846	1,665,809	1,714,655
Health and welfare	326,630	-	-	-	-	326,630
Economic environment	-	-	55,627	-	-	55,627
Physical environment	540,282	-	-	-	-	540,282
Capital outlay	1,313,529	4,942	124,782	4,056,428	1,175,492	6,675,173
Debt service:						
Principal retirement	-	-	89,774	-	784,240	874,014
Interest and fiscal charges	-	-	13,373	-	304,041	317,414
<b>Total expenditures</b>	<u>15,368,567</u>	<u>2,918,613</u>	<u>283,556</u>	<u>4,105,274</u>	<u>3,939,453</u>	<u>26,615,463</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,203,083</u>	<u>(636,213)</u>	<u>30,932</u>	<u>(336,655)</u>	<u>(1,500,931)</u>	<u>(239,784)</u>
<b>Other financing sources (uses)</b>						
Transfers in	937,611	638,585	-	74,403	844,439	2,495,038
Transfers out	(1,499,146)	(165,207)	-	-	(102,014)	(1,766,367)
Proceeds from sale of capital assets	90,271	9,700	-	-	29,125	129,096
<b>Total other financing sources (uses)</b>	<u>(471,264)</u>	<u>483,078</u>	<u>-</u>	<u>74,403</u>	<u>771,550</u>	<u>857,767</u>
<b>Net change in fund balances</b>	<u>1,731,819</u>	<u>(153,135)</u>	<u>30,932</u>	<u>(262,252)</u>	<u>(729,381)</u>	<u>617,983</u>
<b>Fund balances, beginning of year</b>	26,203,387	167,711	239,735	36,931	3,728,307	30,376,071
<b>Fund balances, end of year</b>	<u>\$ 27,935,206</u>	<u>\$ 14,576</u>	<u>\$ 270,667</u>	<u>\$ (225,321)</u>	<u>\$ 2,998,926</u>	<u>\$ 30,994,054</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA  
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, 2023**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 617,983</b>
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	6,675,173
Depreciation expense	(3,490,181)
Net book value of capital assets disposed	(198,044)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:	
Principal repayment of general long-term debt	874,014
Governmental funds report contributions to defined benefit pension and OPEB plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future total OPEB/net pension liability. Also included in expense in the statement of activities are amounts required to be amortized in future years related to pensions and OPEB.	
Change in net pension liability and deferred inflows/outflows related to pensions	(2,587,799)
Change in total OPEB liability and deferred inflows/outflows related to OPEB	(19,391)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:	
Change in compensated absences liability	(138,990)
<b>Change in net position of governmental activities</b>	<b>\$ 1,732,765</b>

The accompanying notes to financial statements are an integral part of this statement.



**CITY OF LAKE CITY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Taxes	\$ 10,082,829	\$ 10,082,829	\$ 10,520,328	\$ 437,499
Franchise fees and permits	1,480,839	1,480,839	1,781,995	301,156
Intergovernmental	2,641,150	2,641,150	2,512,644	(128,506)
Charges for services	2,145,222	2,141,222	2,269,859	128,637
Fines and forfeitures	62,012	62,012	55,794	(6,218)
Investment income	-	-	246,513	246,513
Miscellaneous	65,416	65,416	184,517	119,101
<b>Total revenues</b>	<u>16,477,468</u>	<u>16,473,468</u>	<u>17,571,650</u>	<u>1,098,182</u>
<b>Expenditures</b>				
Current:				
General government	10,417,960	10,450,960	4,524,664	5,926,296
Public safety	6,587,668	6,587,668	5,695,055	892,613
Highway and street	3,467,439	3,467,439	2,968,407	499,032
Health and welfare	346,000	346,000	326,630	19,370
Physical environment	558,675	554,675	540,282	14,393
Capital outlay	2,828,901	2,795,901	1,313,529	1,482,372
<b>Total expenditures</b>	<u>24,206,643</u>	<u>24,202,643</u>	<u>15,368,567</u>	<u>8,834,076</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(7,729,175)</u>	<u>(7,729,175)</u>	<u>2,203,083</u>	<u>9,932,258</u>
<b>Other financing sources (uses)</b>				
Transfers in	937,611	937,611	937,611	-
Transfers out	(3,054,158)	(3,054,158)	(1,499,146)	1,555,012
Proceeds from sale of capital assets	-	-	90,271	90,271
<b>Total other financing sources (uses)</b>	<u>(2,116,547)</u>	<u>(2,116,547)</u>	<u>(471,264)</u>	<u>1,645,283</u>
<b>Net change in fund balances</b>	<u>(9,845,722)</u>	<u>(9,845,722)</u>	<u>1,731,819</u>	<u>11,577,541</u>
<b>Fund balances, beginning of year</b>	26,203,387	26,203,387	26,203,387	-
<b>Fund balances, end of year</b>	<u>\$ 16,357,665</u>	<u>\$ 16,357,665</u>	<u>\$ 27,935,206</u>	<u>\$ 11,577,541</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - FIRE DEPARTMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 66,851	\$ 66,851	\$ -	\$ (66,851)
Intergovernmental	-	-	90,577	90,577
Charges for services	2,292,794	2,292,794	2,165,694	(127,100)
Investment income	-	-	2,346	2,346
Miscellaneous	-	-	23,783	23,783
Total revenues	2,359,645	2,359,645	2,282,400	(77,245)
<b>Expenditures</b>				
Current:				
Public safety	2,930,788	2,959,388	2,913,671	45,717
Capital outlay	246,888	218,288	4,942	213,346
Total expenditures	3,177,676	3,177,676	2,918,613	259,063
<b>Excess (deficiency) of revenues over expenditures</b>	(818,031)	(818,031)	(636,213)	181,818
<b>Other financing sources (uses)</b>				
Transfers in	638,585	638,585	638,585	-
Transfers out	(165,207)	(165,207)	(165,207)	-
Proceeds from sale of capital assets	-	-	9,700	9,700
Total other financing sources (uses)	473,378	473,378	483,078	9,700
<b>Net change in fund balances</b>	(344,653)	(344,653)	(153,135)	191,518
<b>Fund balances, beginning of year</b>	167,711	167,711	167,711	-
<b>Fund balances, end of year</b>	\$ (176,942)	\$ (176,942)	\$ 14,576	\$ 191,518

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 118,517	\$ 118,517	\$ 117,246	\$ (1,271)
Intergovernmental	925,446	925,446	193,496	(731,950)
Charges for services	3,500	3,500	2,950	(550)
Investment income	-	-	796	796
Total revenues	<u>1,047,463</u>	<u>1,047,463</u>	<u>314,488</u>	<u>(732,975)</u>
<b>Expenditures</b>				
Current:				
Economic environment	147,815	147,815	55,627	92,188
Capital outlay	1,134,067	1,134,067	124,782	1,009,285
Debt service:				
Principal retirement	89,775	89,775	89,774	1
Interest and fiscal charges	13,373	13,373	13,373	-
Total expenditures	<u>1,385,030</u>	<u>1,385,030</u>	<u>283,556</u>	<u>1,101,474</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(337,567)</u>	<u>(337,567)</u>	<u>30,932</u>	<u>368,499</u>
<b>Net change in fund balances</b>	<u>(337,567)</u>	<u>(337,567)</u>	<u>30,932</u>	<u>368,499</u>
<b>Fund balances, beginning of year</b>	239,735	239,735	239,735	-
<b>Fund balances, end of year</b>	<u>\$ (97,832)</u>	<u>\$ (97,832)</u>	<u>\$ 270,667</u>	<u>\$ 368,499</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2023**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water-Sewer</b>	<b>Natural</b>	<b>Total</b>
	<b>Utility</b>	<b>Gas</b>	
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 12,440,340	\$ 3,398,151	\$ 15,838,491
Accounts receivable, net	2,559,701	547,550	3,107,251
Due from other governments	405,190	13,915	419,105
Inventories	331,908	72,069	403,977
Prepaid items	-	7,945	7,945
Restricted current assets			
Equity in pooled cash	2,726,281	-	2,726,281
Total current assets	<u>18,463,420</u>	<u>4,039,630</u>	<u>22,503,050</u>
Noncurrent assets:			
Restricted cash	3,223,363	-	3,223,363
Capital assets:			
Land	5,232,743	1,539	5,234,282
Building and improvements	7,030,528	824,426	7,854,954
Infrastructure	86,123,760	3,853,607	89,977,367
Machinery and equipment	18,380,130	1,088,686	19,468,816
Construction in progress	9,260,242	11,186	9,271,428
Accumulated depreciation	(58,413,143)	(3,415,920)	(61,829,063)
Total capital assets, net	67,614,260	2,363,524	69,977,784
Advances to other funds	-	-	-
Total noncurrent assets	<u>70,837,623</u>	<u>2,363,524</u>	<u>73,201,147</u>
Total assets	<u>\$ 89,301,043</u>	<u>\$ 6,403,154</u>	<u>\$ 95,704,197</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refunding	\$ 83,918	\$ -	\$ 83,918
Deferred outflows related to pensions	1,793,272	339,827	2,133,099
Deferred outflows related to OPEB	3,176	565	3,741
Total deferred outflows	<u>\$ 1,880,366</u>	<u>\$ 340,392</u>	<u>\$ 2,220,758</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 862,752	\$ 262,179	\$ 1,124,931
Customer deposits	1,018,246	404,965	1,423,211
Unearned revenue	63,222	408,533	471,755
Compensated absences	300,981	65,091	366,072
Current portion of financed purchase agreements	80,458	-	80,458
Payable from restricted assets:			
Current maturities on long-term debt	2,586,850	-	2,586,850
Accrued interest payable	139,431	-	139,431
Total current liabilities	<u>5,051,940</u>	<u>1,140,768</u>	<u>6,192,708</u>
Noncurrent liabilities:			
Bonds and notes payable, net	29,526,785	-	29,526,785
Financed purchase agreements	167,865	-	167,865
Compensated absences	123,189	27,791	150,980
Total OPEB liability	131,164	23,322	154,486
Net pension liability	3,212,085	608,695	3,820,780
Total noncurrent liabilities	<u>33,161,088</u>	<u>659,808</u>	<u>33,820,896</u>
Total liabilities	<u>\$ 38,213,028</u>	<u>\$ 1,800,576</u>	<u>\$ 40,013,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	\$ 792,228	\$ 150,129	\$ 942,357
Deferred inflows related to OPEB	13,392	2,382	15,774
Total deferred inflows	<u>\$ 805,620</u>	<u>\$ 152,511</u>	<u>\$ 958,131</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 36,965,665	\$ 2,363,524	\$ 39,329,189
Restricted for debt service	670,380	-	670,380
Restricted for renewal and replacement	500,000	-	500,000
Restricted for system improvements	2,457,441	-	2,457,441
Unrestricted	11,569,275	2,426,935	13,996,210
Total net position	<u>\$ 52,162,761</u>	<u>\$ 4,790,459</u>	<u>\$ 56,953,220</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water-Sewer Utility</b>	<b>Natural Gas</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 17,145,198	\$ 5,532,914	\$ 22,678,112
Other revenues	283,679	-	283,679
Total operating revenues	<u>17,428,877</u>	<u>5,532,914</u>	<u>22,961,791</u>
<b>Operating expenses</b>			
Personal services	5,616,162	1,029,355	6,645,517
Contractual services and supplies	4,784,324	3,602,538	8,386,862
Internal charges	980,000	300,000	1,280,000
Depreciation	3,557,104	174,569	3,731,673
Total operating expenses	<u>14,937,590</u>	<u>5,106,462</u>	<u>20,044,052</u>
<b>Operating income (loss)</b>	<u>2,491,287</u>	<u>426,452</u>	<u>2,917,739</u>
<b>Nonoperating revenues (expenses)</b>			
Interest earnings	67,630	14,755	82,385
Intergovernmental grants	42,899	-	42,899
Miscellaneous income	203,933	70,903	274,836
Gain (loss) on disposal of capital assets	8,925	-	8,925
Interest and amortization expense	(565,567)	-	(565,567)
Total nonoperating revenues (expenses)	<u>(242,180)</u>	<u>85,658</u>	<u>(156,522)</u>
<b>Income (loss) before contributions and transfers</b>	<u>2,249,107</u>	<u>512,110</u>	<u>2,761,217</u>
Capital contributions and impact fees	265,628	-	265,628
Capital grants	530,470	-	530,470
Transfers in	181,329	-	181,329
Transfers out	(667,000)	(243,000)	(910,000)
<b>Change in net position</b>	<u>2,559,534</u>	<u>269,110</u>	<u>2,828,644</u>
<b>Net position, beginning of year</b>	49,603,227	4,521,349	54,124,576
<b>Net position, end of year</b>	<u>\$ 52,162,761</u>	<u>\$ 4,790,459</u>	<u>\$ 56,953,220</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water-Sewer</b>	<b>Natural</b>	<b>Total</b>
	<b>Utility</b>	<b>Gas</b>	
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 17,645,628	\$ 5,534,956	\$ 23,180,584
Cash paid to employees	(4,725,210)	(891,751)	(5,616,961)
Cash paid to suppliers	(4,955,014)	(2,907,668)	(7,862,682)
Cash paid for interfund charges	(980,000)	(300,000)	(1,280,000)
Other receipts	203,933	-	203,933
Net cash provided by (used in) operating activities	<u>7,189,337</u>	<u>1,435,537</u>	<u>8,624,874</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	181,329	-	181,329
Transfers to other funds	(667,000)	(243,000)	(910,000)
Intergovernmental grant proceeds	42,899	-	42,899
Net cash provided by (used in) noncapital financing activities	<u>(442,772)</u>	<u>(243,000)</u>	<u>(685,772)</u>
<b>Cash flows from capital and related financing activities</b>			
Impact fees	265,628	-	265,628
Acquisition and construction of capital assets	(2,824,097)	62,196	(2,761,901)
Capital grants	530,470	-	530,470
Proceeds from sale of capital assets	8,925	-	8,925
Principal payments of long-term debt	(2,519,959)	-	(2,519,959)
Interest paid	(562,695)	-	(562,695)
Net cash provided by (used in) capital and related financing activities	<u>(5,101,728)</u>	<u>62,196</u>	<u>(5,039,532)</u>
<b>Cash flows from investing activities</b>			
Interest received	67,630	14,755	82,385
Net cash provided by (used in) investing activities	<u>67,630</u>	<u>14,755</u>	<u>82,385</u>
<b>Net change in cash and cash equivalents</b>	<u>1,712,467</u>	<u>1,269,488</u>	<u>2,981,955</u>
<b>Cash and cash equivalents, beginning of year</b>	16,677,517	2,128,663	18,806,180
<b>Cash and cash equivalents, end of year</b>	<u>\$ 18,389,984</u>	<u>\$ 3,398,151</u>	<u>\$ 21,788,135</u>
<b>Cash and cash equivalents classified as:</b>			
Unrestricted	\$ 12,440,340	\$ 3,398,151	\$ 15,838,491
Restricted	5,949,644	-	5,949,644
Total cash and cash equivalents	<u>\$ 18,389,984</u>	<u>\$ 3,398,151</u>	<u>\$ 21,788,135</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>			
Operating income	\$ 2,491,287	\$ 426,452	\$ 2,917,739
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	3,557,104	174,569	3,731,673
Gain on disposition of capital assets	203,933	-	203,933
Changes in assets and liabilities:			
Accounts receivable	(263,314)	(14,480)	(277,794)
Due from other governments	550,231	(1,763)	548,468
Inventories	(94,913)	1,324	(93,589)
Prepaid items	-	(1,501)	(1,501)
Deposits	-	583,909	583,909
Accounts payable and accrued liabilities	(75,777)	111,138	35,361
Customer deposits	113,919	63,453	177,372
Retainage payable	(163,705)	-	(163,705)
Unearned revenue	(20,380)	(45,168)	(65,548)
Compensated absences	67,020	848	67,868
Net pension liability	819,319	137,461	956,780
Total OPEB liability	4,613	(705)	3,908
Net cash provided by (used in) operating activities	<u>\$ 7,189,337</u>	<u>\$ 1,435,537</u>	<u>\$ 8,624,874</u>
<b>Non-cash investing, capital, and financing activities:</b>			
Amortization of debt discount/loss on refunding	\$ 12,938	\$ -	\$ 12,938

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2023**

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents with trustee	\$ 3,022,303
Total cash and cash equivalents	<u>3,022,303</u>
Receivables	
Contributions receivable	94,311
Interest and dividends receivable	92,535
Total receivables	<u>186,846</u>
Investments, at fair value	
Corporate bonds	6,056,415
Municipal bonds	4,445,056
Equities	32,706,448
Mutual funds	2,498,857
Real estate funds	1,152,938
Total investments	<u>46,859,714</u>
Total assets	<u>\$ 50,068,863</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 67,046
Total liabilities	<u>\$ 67,046</u>
<b>NET POSITION</b>	
Restricted for pensions	<u>\$ 50,001,817</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Pension Trust Funds</u>
<b>Additions</b>	
Contributions:	
Employer	\$ 348,784
Plan members	193,981
State - insurance premium taxes	255,646
Total contributions	<u>798,411</u>
Investment earnings (loss)	
Net appreciation (depreciation) in fair value of investments	4,550,099
Interest and dividends	1,505,541
Total investment earnings (loss)	<u>6,055,640</u>
Less: investment expense	<u>(213,192)</u>
Net investment income (loss)	5,842,448
 Total additions	 <u>6,640,859</u>
<b>Deductions</b>	
Benefit payments and refunds	3,384,626
Administrative expenses	173,978
Total deductions	<u>3,558,604</u>
 <b>Change in net position</b>	 <u>3,082,255</u>
 <b>Net position restricted for pensions, beginning of year</b>	 46,919,562
 <b>Net position restricted for pensions, end of year</b>	 <u><u>\$ 50,001,817</u></u>

The accompanying notes to financial statements are an integral part of this statement.



**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(1) **Summary of Significant Accounting Policies:**

The financial statements of the City of Lake City, Florida (the City), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles and the City has adopted the GASB Codification. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City was incorporated in 1859, under the State of Florida Laws, Chapter 40, Acts of 1858. The City operates under a City Council form of government and provides, under the administration of an appointed City Manager, the following services: public safety (police and fire), public works (streets and infrastructure), recreation, municipal airport services, natural gas services, planning, zoning, water and sewer services, and general and administrative services.

(b) **Blended component units**—The financial activity of The Lake City Community Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established to provide a method of eliminating blighted areas, expanding employment opportunities, and providing an environment for the social and economic growth of an area designated by City Ordinance. Each member of the City Council is a member of the Agency. The Agency is presented as a governmental fund type. A separate audit report of the Agency can be obtained from the City's Finance Department.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Thus, blended component assets are appropriately presented as funds of the primary government.

(c) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Measurement focus, basis of accounting, and financial statement presentation**—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers other reoccurring revenue to be available if they are collected within 90 days of the end of the current fiscal period. Grant and similar revenues are recognized when the related expenditure is incurred.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and other postemployment benefits, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

**General Fund**—The General Fund is the City’s primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund.

**Fire Department Special Revenue Fund**—The Fire Department Special Revenue Fund accounts for the activities of the Lake City Fire Department and is primarily funded by a fire protection assessment imposed on all nongovernmental real property within the City.

**Community Redevelopment Agency Fund**—The Community Redevelopment Agency Fund accounts for the receipt and expenditures from certain property tax increments which are to be used for specific projects involving community redevelopment.

**Airport Capital Projects Fund**—The Airport Capital Projects Fund accounts for capital project activity related to the City’s municipal airport. Fund resources are typically received in the form of local, state, and federal grants.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(1) **Summary of Significant Accounting Policies:** (Continued)

The City reports the following major proprietary funds:

**Water and Sewer System Fund**—The Water and Sewer System Fund accounts for the activities of the City's water distribution operations.

**Natural Gas Utility Fund**—The Natural Gas Utility Fund accounts for the activities of the City's natural gas distribution operations.

Additionally, the City reports the following fund types:

**Pension Trust Funds**—Accounts for the net position held in trust for defined pension benefits and the related financial activities of the employees' retirement system, which accumulates resources for defined pension benefit payments to the Police Officers' Pension Fund, the Fireman's Pension Trust Fund, and the General Employee's Pension Trust Fund. Assets accumulated and held in trust in defined contribution pension plans (deferred compensation and money purchase retirement plans) are not included in the financial statements, since such amounts immediately vest with the employees.

As a general rule, the effect of the City's interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments (when applicable). Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The City recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(e) **Budget information**—General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. Encumbrances are not recorded. Unexpended items at year-end must be re-appropriated in the subsequent year.

The City's Finance Director and City Manager, together, are authorized to transfer budgeted amounts within departments within a fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Council. The budgetary information presented for the general fund and any major special revenue funds is prepared on the modified accrual basis.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Deposits and investments**—The City’s cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

The City’s investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in certificates of deposit, money market funds, obligations issued by the U.S. or obligations guaranteed as to principal and interest by the U.S., repurchase agreements collateralized by U.S. securities, and the SBA.

(g) **Property taxes**—The assessment of all properties and the collection of all property taxes are made through the County Property Appraiser and County Tax Collector. General property taxes are recorded as received, in cash, which approximates taxes levied less discounts for the current year.

Taxes are levied on November 1 of each year. All taxes become delinquent on April 1 of the following year. Discounts are allowed for early payment. On or prior to June 1, certificates bearing interest are sold for all uncollected real property taxes. Unsold certificates are held by the County.

(h) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are reported net of an allowance for doubtful accounts, where appropriate. Unbilled utility service receivables are recorded at year-end. They are calculated by pro-rating cycle billings subsequent to year-end according to the number of days included in the current fiscal year.

(i) **Leases receivable**—When engaged in long-term leasing activity as the lessor, the City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.
- The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Inventories and prepaid items**—All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(k) **Restricted assets**—Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayments, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Restricted funds are comprised of the following:

*Sinking funds* - segregated resources generated from operations that are accumulated for making debt service payments over the next twelve months.

*Construction funds* - segregated resources consisting of net bond proceeds from the issuance of revenue bonds and other long-term debt obligations that are restricted to use in construction.

*Renewal and replacement funds* - segregated resources that are set aside to meet unexpected repairs or to fund asset renewal and replacement.

(l) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the acquisition value at the date of donation.

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

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

Assets	Years
Buildings and Improvements	5 – 60 years
Equipment	3 – 20 years
Infrastructure	7 – 60 years

(m) **Compensated absences**—It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Long-term obligations**—In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(o) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. The City Council has delegated responsibility to the City Manager and Finance Director pursuant to Ordinance 97-804. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(1) **Summary of Significant Accounting Policies:** (Continued)

When both restricted and unrestricted resources are available for use, it is generally the practice of the City to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City's practice to use committed resources first, then assigned, and then unassigned as needed.

It is the City's policy to strive to maintain a minimum reserve level of 30% of the operating budget for the general fund.

(p) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items, deferred loss on bond refunding in the proprietary funds and government-wide statement of net position, and deferred outflows related to pensions, which qualify for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pensions are discussed further in Note 0 and deferred outflows related to OPEB are discussed further in Note (12).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only items in this category consisted of deferred inflows of resources related to leases, deferred inflows of resources related to pensions, as discussed further in Note 0 and deferred inflows related to OPEB are discussed further in Note (12).

(q) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City's policy to consider restricted net position to have been used before unrestricted net position is applied.

(r) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(2) **Reconciliation of Government-wide and Fund Financial Statements**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Cash Deposits and Investments:**

The City's investment policies are governed by Chapter 280 and 218, Florida Statutes, City Code of Ordinances, and the adopted investment policy. The basic allowable investment instruments are as follows:

The Local Government Surplus Funds Trust Fund (SBA) or other state sponsored funds – The State Board of Administration (SBA) pools investments for local governments while providing safety and liquidity.

Securities and Exchange Council registered money market and closed end mutual funds with an investment grade securities rating from a nationally recognized rating agency, investing solely in investments otherwise authorized for the City to invest in directly.

Interest-bearing time deposits or savings accounts in qualified public depositories.

Direct obligations of the United States Treasury and agencies and instrumentalities. Securities will include, but not be limited to treasury bills, notes, bonds and any other obligations whose principal and interest is fully guaranteed by the United States of America or any of its agencies or instrumentalities.

Certificates of deposit – Non-negotiable interest-bearing time certificates of deposit in banks organized under the laws of the United States and doing business and situated in Florida.

Repurchase agreements – Overnight (sweep) repurchase agreements collateralized by any security eligible for pledge to the Florida Chief Financial officer for security of local government funds. The City may only transact repurchase agreements with financial institutions that are Well Capitalized as that term is defined by the Federal Deposit Insurance Corporation.

Deposits include cash on hand and amounts held in the City's demand accounts. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City's custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.



**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**(3) Cash Deposits and Investments:**

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

The City measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

As of September 30, 2023, the City's governmental and business-type investment portfolio was composed of the following investments:

<u>Investment Type</u>	<u>Credit Quality Rating (S&amp;P)</u>	<u>Carrying Value</u>	<u>Weighted Average Investment Maturities (in Years)</u>		<u>Fair Value Hierarchy</u>
			<u>Less Than 1</u>	<u>1 – 5</u>	<u>Classification</u>
FMIT 0-2 Yr High Quality Bond Fund	AAAf/S1	\$ 3,920,166	\$ 3,920,166	\$ -	Level 2
FMIT 1-3 Yr High Quality Bond Fund	AAAf/S2	603,142	-	603,142	Level 2
Florida Prime	AAAm	255,590	255,590	-	N/A
Total Portfolio		<u>\$ 4,778,898</u>	<u>\$ 4,175,756</u>	<u>\$ 603,142</u>	

*Interest Rate Risk:* The City's fixed rate investments are generally tied to bond reserve requirements and are intended to be held until the funds are needed, at maturity. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's pension funds limit their risk by averaging investment maturities at approximately seven to ten years.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City's portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

*Concentration of Credit Risk:* The pension funds' investment policies and practices require investments to be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold. No more than 3% of the trust fund shall be invested in any one issuer.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(3) **Cash Deposits and Investments:** (Continued)

*Custodial Credit Risk—Investments:* In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City generally utilizes third party custodians to help manage custodial credit risk.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy does not permit general obligations issued by a foreign government and is, therefore, not exposed to foreign currency risk.

***Pension Plans***

The City’s Pension Plans are authorized to invest in all of the instruments noted above as well as the following investments:

Bonds, stocks, commingled mutual funds, real estate funds; and foreign securities.

The following chart shows the City pension funds cash and investment accounts by investment portfolios and their respective maturities (in years):

	<b>Fair Value</b>	<b>Weighted Average Maturity (years)</b>	<b>Credit Rating Range (Moody’s)</b>	<b>Fair Value Hierarchy Classification</b>
Corporate bonds	\$ 6,056,415	13.8	AA2 to BAA3	Level 2
Municipal bonds and government obligations	4,445,056	3.9	AAA – A2	Level 2
Equities	32,706,448	N/A	NR	Level 1
Mutual funds	2,498,857	N/A	NR	Level 1
Real estate funds	1,152,938	N/A	NR	Level 3
	<u>45,706,776</u>			
Other investments:				
Real estate funds	1,152,938			
Total Portfolio	<u>\$ 46,859,714</u>			

Units in the American Core Realty Fund (the Core Fund) are offered and sold by means of a private placement offering conducted in compliance with Rule 506 of Regulation D under the Securities Act of 1933, as amended. The Core Fund is an open-end diversified core commingled real estate fund that invests in private real estate and is structured as a Delaware limited partnership. As a result, the City of Lake City Police Officers’ Retirement Plan own units in the Core Fund, and the Core Fund holds no securities on behalf of the Retirement Plan’s account in the Core Fund. As of September 30, 2023, the Retirement Plan held 8.5083 units. The net asset value on that date was \$1,152,938. Units are purchased and redeemed through periodic transactions and the value of the units purchased or sold in such transactions is based on the unit value applicable to the valuation date at which each individual transaction occurred.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(3) **Cash Deposits and Investments:** (Continued)

As of September 30, 2023, all of the Core Fund's investments were categorized as Level 3. Valuation techniques used to determine fair value for the assets in the Core Fund vary based on the asset category and include discounted cash flow, direct capitalization sales approach, and cash equivalency.

Requests for redemptions of units in the American Core Realty Fund may be made at any time, with 10 business day's notification by submitting a Redemption Notice form signed by a representative of the City of Lake City Police Officers' are effective at the end of the calendar quarter in which the request is received by American Realty Advisors (ARA). The units that are subject to a redemption notice may be redeemed in full or in installments on a pro-rata basis as funds become available for such purpose and the redemption price will be the value per unit based on ARA's estimate of the fair value of the Core Fund's net assets as computed under generally accepted accounting principles at such time that each payment is made. Although ARA is required to use reasonable efforts to cause the Core Fund to pay the redemption price as soon as practicable after the effective date of the request, redemptions are subject to the availability of cash flow arising from investment transactions, sales and other fund operations occurring in the normal course of business. ARA is not required to liquidate or encumber assets or defer investments in order to satisfy redemption requests.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plans require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2023, the weighted average maturity in years for each investment type is included in the preceding table.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. The ratings of the investments held at year end are shown above. All are rated within the investment policy guidelines at September 30, 2023.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Fire Pension trust funds policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed five (5) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed sixty (60) percent of the fund's total assets. Additionally, policy does not allow more than ten (10) percent of its assets in bonds, nor shall the aggregate of its investments in bonds exceed thirty (30) percent of the fund's total assets. The Police Pension trust funds policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed five (5) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed sixty-five (65) percent of the fund's total assets. Additionally, policy does not allow more than ten (10) percent of its assets in bonds, nor shall the aggregate of its investments in bonds exceed thirty-five (35) percent of the fund's total assets. The General Employee Pension trust funds policy does not allow assets in the common stock, capital stock, or convertible securities to exceed seventy (70) percent of the fund's total assets or investments in bonds to exceed thirty (30) percent of the fund's total assets. At September 30, 2023, the investment portfolios met the single issuer limitations.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(3) **Cash Deposits and Investments:** (Continued)

*Custodial Credit Risk:* Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for variable limitations on the concentration of foreign securities. At September 30, 2023, the investment portfolios met the foreign securities limitations.

(4) **Receivables:**

***Accounts Receivable***

The City's receivables consisted of the following at September 30, 2023:

	<b>Gross Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Receivable</b>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 624,919	\$ (19,055)	\$ 605,864
Airport Capital Projects Fund			
Accounts receivable	7,500	-	7,500
Nonmajor Governmental Funds			
Accounts receivable	708	-	708
Total – Governmental Activities	633,127	(19,055)	614,072
	<b>Gross Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Receivable</b>
Business-Type Activities:			
Water and Sewer Fund			
Accounts receivable	\$ 2,914,074	\$ (354,373)	\$ 2,559,701
Natural Gas Fund			
Accounts receivable	575,795	(28,245)	547,550
Totals – Business-Type Activities	3,489,869	(382,618)	3,107,251
Totals	\$ 4,122,996	\$ (401,673)	\$ 3,721,323

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(4) **Receivables:** (Continued)

***Leases Receivable***

The City has ongoing lease agreements with third parties related to rentals of land and airport hangars owned by the City. The City has 8 leases, with terms varying up to 30 years.

A summary of the City's activity surrounding leases receivable as of and for the year ending September 30, 2023, is as follows:

	<u>Airport Fund</u>	<u>Governmental Activities</u>
Lease Revenue	\$ 511,671	\$ 511,671
Lease Receivable	6,581,072	6,581,072
Deferred Inflows	6,290,413	6,290,413

Annual rentals under these lease agreements include minimum monthly payments ranging from \$739 up to \$25,000 with various termination dates through December 2043. For the year ended September 30, 2023, the City recognized in lease revenue \$511,671 and \$309,492 in interest revenue related to this lease. As of September 30, 2023, the City's receivable for lease payments was \$6,581,072 and for interest payments was \$33,957. Also, the City has a deferred inflow of resources associated with this lease that will be recognized over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was \$6,290,413.

(5) **Interfund Loans, Advances, Fees, and Transfers:**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. As of September 30, 2023, there are no balances due between interfund receivables and payables for the primary government.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(5) **Interfund Loans, Advances, Fees, and Transfers:** (Continued)

For the year ended September 30, 2023, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities:		
General Fund:		
Fire Department Fund	\$ -	\$ 638,585
Debt Service Fund	-	679,232
CRA Fund	-	-
Water and Sewer Fund	667,000	181,329
Natural Gas Fund	243,000	-
CDBG Fund	27,611	-
Other Governmental Funds:		
Fire Department Fund:		
General Fund	638,585	-
Debt Service	-	165,207
Debt Service Fund:		
General Fund	679,232	-
Fire Department Fund	165,207	-
Airport Fund		
Airport Capital Projects Fund	-	74,403
Airport Capital Projects Fund		
Airport Fund	74,403	-
CDBG Fund		
General Fund	-	27,611
	<u>2,495,038</u>	<u>1,766,367</u>
Business-type Activities:		
Water and Sewer Fund:		
General Fund	181,329	667,000
Natural Gas Fund:		
General Fund	-	243,000
	<u>181,329</u>	<u>910,000</u>
Totals – All Funds	<u>\$ 2,676,367</u>	<u>\$ 2,676,367</u>

Transfers are used to move revenues between funds to reflect the activities of the fund with the primary government. The primary government accounts for activities such as budgetary authorizations, subsidies or matching funds for various grant programs, and reimbursements to the general fund for services provided to other funds.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**(6) Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

***Governmental activities:***

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 7,805,259	\$ 77,794	\$ (2)	\$ 7,883,051
Construction in progress	3,252,388	5,095,122	(4,689,735)	3,657,775
Total assets not being depreciated	<u>11,057,647</u>	<u>5,172,916</u>	<u>(4,689,737)</u>	<u>11,540,826</u>
Capital assets being depreciated:				
Building and Improvements	18,096,438	3,165,828	(144,090)	21,118,176
Infrastructure	56,893,098	1,639,674	(264,312)	58,268,460
Machinery and equipment	16,302,308	1,386,490	(560,054)	17,128,744
Total assets being depreciated	<u>91,291,844</u>	<u>6,191,992</u>	<u>(968,456)</u>	<u>96,515,380</u>
Less accumulated depreciation for:				
Building and Improvements	(10,171,109)	(455,055)	119,436	(10,506,728)
Infrastructure	(28,639,440)	(2,155,444)	102,415	(30,692,469)
Machinery and equipment	(13,145,249)	(879,682)	548,563	(13,476,368)
Total accumulated depreciation	<u>(51,955,798)</u>	<u>(3,490,181)</u>	<u>770,414</u>	<u>(54,675,565)</u>
Total capital assets being depreciated, net	<u>39,336,046</u>	<u>2,701,811</u>	<u>(198,042)</u>	<u>41,839,815</u>
Governmental activities capital assets, net	<u>\$ 50,393,693</u>	<u>\$ 7,874,727</u>	<u>\$ (4,887,779)</u>	<u>\$ 53,380,641</u>

***Business-type activities:***

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 5,234,282	\$ -	\$ -	\$ 5,234,282
Construction in progress	7,795,849	1,775,495	(299,916)	9,271,428
Total assets not being depreciated	<u>13,030,131</u>	<u>1,775,495</u>	<u>(299,916)</u>	<u>14,505,710</u>
Capital assets being depreciated:				
Building and Improvements	7,744,764	110,190	-	7,854,954
Infrastructure	89,435,570	541,797	-	89,977,367
Machinery and equipment	18,833,503	705,238	(69,925)	19,468,816
Total assets being depreciated	<u>116,013,837</u>	<u>1,357,225</u>	<u>(69,925)</u>	<u>117,301,137</u>
Less accumulated depreciation for:				
Building and Improvements	(2,969,603)	(219,085)	-	(3,188,688)
Infrastructure	(42,530,021)	(2,067,235)	-	(44,597,256)
Machinery and equipment	(12,667,691)	(1,445,353)	69,925	(14,043,119)
Total accumulated depreciation	<u>(58,167,315)</u>	<u>(3,731,673)</u>	<u>69,925</u>	<u>(61,829,063)</u>
Total capital assets being depreciated, net	<u>57,846,522</u>	<u>(2,374,448)</u>	<u>-</u>	<u>55,472,074</u>
Business-type activities capital assets, net	<u>\$ 70,876,653</u>	<u>\$ (598,953)</u>	<u>\$ (299,916)</u>	<u>\$ 69,977,784</u>

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 523,148
Public safety	556,149
Transportation	628,561
Airport	1,735,407
Culture and recreation	46,916
	<u>\$ 3,490,181</u>
Total depreciation expense - governmental activities	
Business-type activities:	
Water and sewer	\$ 3,557,104
Natural gas	174,569
	<u>\$ 3,731,673</u>
Total depreciation expense - business-type activities	

(7) **Commitments:**

As of September 30, 2023, the City had outstanding commitments on contracts in progress as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Steedley Field Wetland	\$ 490,214
Ichetucknee Springs Water Quality Improvement	538,634
Airfield Drainage Study	148,500
Resurfacing Patterson Avenue	543,099
Rehab of Runway 5/23	28,515
Purchase of Tasers & Equipment	123,504
Resurfacing Grandview	27,815
	<u>\$ 1,900,281</u>

Amounts received or receivable from grantor agencies are subject to audit or adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, could constitute liabilities of the applicable funds.

During 2018, the City entered into a development agreement related to the redevelopment of the Blanche Hotel property, in which the City agreed to make a one-time grant of \$1,000,000 to the developer, construct certain infrastructure related to the redevelopment project, and execute a 10-year guaranteed rental agreement. Under this agreement, the City commits to making rent advance payments in the amount of \$35,417 per month for 10 years starting upon completion of the renovation project. The advanced rent will be refunded to the City in the form of a percentage of all rents collected by the developers monthly and a percentage of annual cash distributions, as defined in the agreement. Any rent advances not refunded will be repaid to the City upon the developer's refinancing of its original loans for development of the Blanche Hotel in no less than fifteen years, with interest, commencing on the date of refinancing. The developer's loan is secured by a subordinated mortgage and security agreement which encumbers the real estate, improvements, and other property of the developer. The \$1,000,000 grant was paid during the fiscal year ended September 30, 2018.



**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**(8) Long-Term Liabilities:**

Long-term liability activity for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Revenue bonds and notes	\$ 11,092,985	\$ -	\$ (658,933)	\$ 10,434,052	\$ 674,921
Compensated absences	790,903	629,470	(490,480)	929,893	711,717
Financed purchase agreements	1,381,601	-	(215,081)	1,166,520	222,549
Governmental activities – Total long-term liabilities	<u>\$ 13,265,489</u>	<u>\$ 629,470</u>	<u>\$ (1,364,494)</u>	<u>\$ 12,530,465</u>	<u>\$ 1,609,187</u>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$ 34,555,368	\$ -	\$ (2,441,733)	\$ 32,113,635	\$ 2,586,850
Compensated absences	449,184	293,595	(225,727)	517,052	366,072
Financed purchase agreements	326,549	-	(78,226)	248,323	80,458
Business-type activities – Total long-term liabilities	<u>\$ 35,331,101</u>	<u>\$ 293,595</u>	<u>\$ (2,745,686)</u>	<u>\$ 32,879,010</u>	<u>\$ 3,033,380</u>

Bond, notes and financed purchase agreements payable in the City's governmental activities at September 30, 2023, were comprised of the following obligations.

Series 2019 Sales Tax Revenue and Refunding Bonds, was issued to refund Series 2012 Sales Tax Revenue and Refunding Bonds and to finance public capital projects, due in payments of principal plus interest at 2.472% semi-annually on June 20 and December 20 of each year until final maturity on December 20, 2034. Pledged by proceeds of local government half-cent sales tax revenue, including investment income of certain funds.	\$ 7,811,220
Series 2015 Community Redevelopment Agency Revenues Note, was issued to fund the construction of redevelopment projects in the Community Redevelopment Area, due in payments of principal plus interest at 1.80% semi-annually on April 1 and October 1 of each year until final maturity on April 1, 2030. Pledged by Community Redevelopment Agency tax increment revenues.	675,560
Series 2017 Airport Revenue Bonds was issued to construct certain capital improvements at the Lake City Gateway airport, due in payments of principal plus interest at 2.58% semi-annually on April 1 and October 1 of each year until final maturity on April 1, 2032. Pledged by local communications services tax and airport revenues.	1,947,272
Financed purchase agreement entered into in July 2019 for police equipment, due in payments of principal plus interest at 3.89% annually on July 1 of each year until final maturity on July 1, 2029.	899,412
Financed purchase agreement entered into in November 2020 for police equipment, first principal payment due on November 6, 2021. Annual principal payments plus interest at 2.83% annually beginning on November 6, 2022 of each year until final maturity on November 6, 2025.	267,108
Total revenue bonds, notes and lease payable	<u>\$ 11,600,572</u>

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(8) **Long-Term Liabilities:** (Continued)

Annual debt service requirements to maturity for the City's governmental activities bonds, notes and financed purchase agreements payable are as follows:

	Principal	Interest	Total
2024	\$ 897,470	\$ 293,958	\$ 1,191,428
2025	921,583	269,844	1,191,427
2026	946,374	245,053	1,191,427
2027	877,737	219,569	1,097,306
2028	901,276	196,029	1,097,305
2029-2033	3,596,820	652,679	4,249,499
2034-2035	3,459,312	119,077	3,578,389
Total	\$ 11,600,572	\$ 1,996,209	\$ 13,596,781

Bonds and financed purchase agreements payable in the City's business-type activities at September 30, 2023, were comprised of the following obligations:

Series 2016 Utility System Refunding Revenue Bonds, were issued in the amount of \$9,547,000 to refund the State Revolving Fund Loan and construct improvements to the City's water and sewer system. Due in payments of principal plus interest at 1.79% semi-annually with payments on December 15 and June 15 through June 15, 2029. Principal and interest are payable solely from and secured by a lien on the net revenues of the City's water and sewer utility systems.	\$ 4,652,000
Series 2020A Utility System Refunding Revenue Bonds, were issued in the amount of \$28,893,978 to refund Utilities Revenue Bonds Series 2010A and 2010B. Due in payments of principal plus interest at an interest rate of 1.34% beginning in 2021 on January 1 and July 1 of each year until final maturity on July 1, 2035.	22,038,401
Series 2020B Utility System Revenue Bonds were issued in the amount of \$6,150,250 to refund Utilities Revenue Bonds Series 2010A and 2010B. Due in payments of principal plus interest at an interest rate of 2.69% beginning in 2021 on January 1 and July 1 of each year until final maturity on July 1, 2040.	5,423,234
Financed purchase agreement entered into in May 2021 for vacuum truck, first principal payments plus interest at 2.85% annually on May 5, 2022 of each year until final maturity on May 5, 2026.	248,323
Total revenue bonds payable	\$ 32,361,958

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(8) **Long-Term Liabilities:** (Continued)

Annual debt service requirements to maturity for the City’s business-type activities bonds payable and financed purchase agreement are as follows:

	Principal	Interest	Total
2024	\$ 2,667,308	\$ 520,797	\$ 3,188,105
2025	2,711,871	476,909	3,188,780
2026	2,755,973	432,240	3,188,213
2027	2,714,085	386,780	3,100,865
2028	2,757,802	343,001	3,100,803
2029-2033	12,055,494	1,113,695	13,169,189
2034-2038	5,926,391	306,759	6,233,150
2039-2040	773,034	26,167	799,201
Total	\$ 32,361,958	\$ 3,606,348	\$ 35,968,306

(9) **Tax Abatements:**

City entered into an agreement with a local corporation to abate certain ad valorem taxes in exchange for economic incentives. Article VII, Section 3 of the Florida Constitution and Section 16.1995, Florida Statutes, and the electorate of the City, have granted City Council the authority to grant property tax exemptions for new business and expansions of existing businesses. The City Council approved Ordinance 2019-006, granting the corporation an ad valorem tax exemption for a term of five years. Amount of taxes abated for year ended September 30, 2023, is \$55,547.

(10) **Contingencies and Uncertainties:**

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2023. The outcomes of established claims are included in these financial statements. In the opinion of the City’s legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

As part of operating the City’s natural gas system, the City has committed to purchase various quantities of natural gas, at fixed and variable prices, over the next several years. These contracts allow the City to secure a reliable supply of natural gas for its customers. Currently, the anticipated demand for natural gas by the City’s customers exceeds the supply scheduled in advance by the City.

(11) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City is a member of the Florida Municipal Self-Insurance fund (the Fund). The fund was created to allow members to pool their liabilities pursuant to provisions in Florida Workers’ Compensation Law. The City pays an annual premium to the Fund for workers’ compensation coverage. The Fund’s underwriting and rate setting policies were established after consulting with an independent actuary. The Fund is not assessable and the City has no liability for future deficits of the Fund, if any.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(12) **Other Postemployment Benefits (OPEB):**

**Plan Description**—Retirees and their dependents are permitted to remain covered under the City’s respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Post-Employment Benefit Plan does not issue a stand-alone report.

**Benefits Provided**—The Other Post Employment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB No. 75 calls this the “implicit rate subsidy.”

**Plan Membership**—At September 30, 2022, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Members	228
Inactive Members	3
	231

**Total OPEB Liability**—The City’s total OPEB liability of \$398,075 was measured as of September 30, 2023, and was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs**—The total OPEB liability in the September 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.00%
Discount rate	4.87%
Healthcare cost trend rate	4.00%
Retirees’ share of benefit-related costs	100.00%

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based on the 20 Year Municipal Bond Rate as of September 30, 2023. Mortality rates were based on the Florida Retirement System Mortality Table.

Changes in the OPEB liability for the fiscal year ended September 30, 2023, were as follows:

	<b>Total OPEB Liability</b>
Balance at September 30, 2022	\$ 372,218
Changes for a year:	
Service cost	28,992
Interest	18,709
Changes of assumptions	(3,647)
Benefit payments – implicit rate subsidy	(18,197)
Net changes	25,857
Balance at September 30, 2023	\$ 398,075

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(12) **Other Postemployment Benefits (OPEB):** (Continued)

*Sensitivity of the total OPEB liability to changes in the discount rate:*

The following presents the total OPEB liability of the City calculated using the discount rate of 4.87%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.87%) or 1% higher (5.87%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 436,393	\$ 398,075	\$ 363,776

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:*

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (3%) or 1% higher (5%) than the current healthcare cost trend rates (4%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 352,229	\$ 398,075	\$ 452,956

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended September 30, 2023, the City recognized OPEB expense of \$43,496. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 7,661	\$ 10,611
Differences – actual/expected experience	1,979	30,033
Total	\$ 9,640	\$ 40,644

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$	(6,207)
2025		(5,329)
2026		(6,317)
2027		(6,317)
2028		(6,313)
Thereafter		(521)

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(13) **Employee Retirement Systems and Pension Funds:**

**A. Florida Retirement System**

**Plan Description and Administration**

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined public employee retirement system which covers all general employees hired before January 1, 1996, and all firefighters, regardless of date of hire. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$7.50. The minimum payment is \$45 and the maximum payment is \$225 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 96 months after electing to participate, except that certain instructional personnel may participate for up to 120 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State’s Annual Comprehensive Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department’s Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
 Division of Retirement, Research and Education Services  
 P.O. Box 9000  
 Tallahassee, FL 32315-9000  
 850-488-5706 or toll free at 877-377-1737

**Contributions**

The entity participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2023, as follows (contribution rates are in agreement with the actuarially determined rates):

<b>FRS Membership Plan &amp; Class</b>	<b>Through June 30, 2023</b>	<b>After June 30, 2023</b>
Regular Class	11.91%	13.57%
Elected Officers	57.00%	58.68%
Senior Management Service	31.57%	34.52%
Special Risk Regular	27.83%	32.67%
DROP from FRS	10.81%	12.64%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll through June 30, 2023, and 2.00% thereafter, which are included in the above rates.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

For the plan year ended June 30, 2023, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	\$ 673,386
Entity Contributions – HIS	112,875
Employee Contributions – FRS	203,990

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At September 30, 2023, the entity reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 5,577,697
HIS	2,725,069
Total	\$ 8,302,766

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2023 and June 30, 2022, the organization’s proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2023	2022
FRS	0.013997843%	0.014137094%
HIS	0.017158944%	0.017326791%

For the plan year ended June 30, 2023, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 1,289,472
HIS	1,053,876
Total	\$ 2,343,348

*Deferred outflows/inflows related to pensions:*

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 523,698	\$ -	\$ 39,893	\$ (6,396)
Changes of assumptions	363,601	-	71,641	(236,136)
Net different between projected and actual investment earnings	232,940	-	1,407	-
Change in proportionate share	303,869	(32,087)	139,834	(31,916)
Contributions subsequent to measurement date	174,613	-	32,525	-
	\$ 1,598,721	\$ (32,087)	\$ 285,300	\$ (274,448)



**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2024.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	FRS	HIS	Total
2024	\$ 272,557	\$ 7,575	\$ 280,132
2025	30,335	15,087	45,422
2026	969,812	(2,199)	967,613
2027	96,639	(23,197)	73,442
2028	22,678	(16,187)	6,491
Thereafter	-	(2,752)	(2,752)
	\$ 1,392,021	\$ (21,673)	\$ 1,370,348

*Actuarial assumptions:*

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate is consistent with the prior year rate of 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.65% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.54%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018.

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2023, the FRS Actuarial Assumptions Conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF LAKE CITY, FLORIDA**  
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(13) **Employee Retirement Systems and Pension Funds:** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.9%
Fixed income	19.8%	4.5%
Global equities	54.0%	8.7%
Real estate	10.3%	7.6%
Private equity	11.1%	11.9%
Strategic investments	3.8%	6.3%
Total	<u>100.0%</u>	

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the proportionate shares of the FRS and HIS net pension liability of the City calculated using the current discount rates, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.70%	\$ 9,527,843	\$ 5,577,697	\$ 2,272,928
HIS	3.65%	3,108,879	2,725,069	2,406,917

**B. City-Sponsored Defined Benefit Pension Plans**

**Plan Description and Administration**

The City maintains three separate single-employer, defined benefit pension plans: The City of Lake City Municipal Firefighters' Pension Trust Fund (the Fire Plan) covers all of the City's fire and rescue personnel; the City of Lake City Municipal Police Officers' Pension Trust Fund (the Police Plan) covers all of the City's police officers; the City of Lake City Employees' Retirement Plan Fund (the General Employees Plan) covers other general employees of the City. These plans contain the assets, liabilities and net position of each respective plan.

All financial activity is reported within the accompanying financial statements. Investments are reported at fair value and are managed by third party money managers. The City's independent custodian and the individual money managers price each instrument (using various third-party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees, and the City's asset valuation are based on the custodian's determination of value.

The City also has a Deferred Retirement Option Program for eligible Police and Fire Plan participants. The DROP Plan allows members who have met the eligibility requirement for normal retirement to have their retirement benefits deposited monthly into a DROP account, earning interest, while simultaneously continuing to work (but not earning additional credit for retirement) for up to thirty-six months (3 years) for General and Fire Plan and sixty months (5 years) for Police Plan. Employees who enter the DROP Program have an option of either receiving their earned compensated absences when they enter the program in one lump sum, or to receive the lump sum at the end of their employment with the City. The purpose of this program is to provide a way for retirees to accumulate additional savings while continuing employment.

**CITY OF LAKE CITY, FLORIDA**  
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(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

**Benefits Provided and Employees Covered**

Each Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries in accordance with the respective plan provisions. Each of the Plans has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year. Current membership in the employee retirement plans was composed of the following at October 1, 2022:

	<b>General Employees' Plan</b>	<b>Police Officers' Plan</b>	<b>Firemen's Plan</b>
Retirees and beneficiaries currently receiving benefits, including DROP participants and disabled retirees	100	29	22
Vested terminated employees	9	31	3
Active participants	13	38	22
Pending refunds	-	-	4
Total current membership	122	98	51

*General Employees' Plan*

The General Employees' Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to regular full-time employees who are not classified as full-time sworn police officers or firefighters. As of January 1, 2006, the General Employees' Plan was closed to all new employees and participating employees were given the option to withdraw from the plan.

The General Employees' Plan is administered by a Board of Trustees established by City Ordinance. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

For non-elected members, normal retirement is generally available upon the earlier of: 1) attainment of age sixty-two and the completion of ten years of credited service, or 2) completion of thirty years of credited service regardless of age. For elected members, normal retirement is available upon attainment of age sixty-two and completion of eight years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty-two and the completion of ten years of credited service for non-elected members and attainment of age fifty-two and the completion of eight years of service in excess of fifteen years.

For non-elected members, the normal retirement benefit shall be equal to 2.00% of final average earnings times the first fifteen years of credited service plus 2.50% of final average earnings times credited service in excess of fifteen years. For elected members, the normal retirement benefit shall be equal to 3.00% of final average earnings times the first fifteen years of credited service plus 3.50% of final average earnings times credited service in excess of fifteen years.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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(13) **Employee Retirement Systems and Pension Funds:** (Continued)

Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who completed at least twenty years of credited service and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 2% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the General Employees Plan investment policies.

*Police Officers' Plan*

The Police Officers' Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to full-time police officers.

The Police Officers' Plan is administered by a Board of Trustees established by City Ordinance. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

Normal retirement is available upon the earlier of: 1) attainment of age fifty-five and completion of ten years of credited service, or 2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

The normal retirement benefit shall be equal to 3.00% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the Police Plan investment policies.

*Firemen's Plan*

The Firemen's Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to full-time firefighters.

The Firemen's Plan is administered by the Firemen's Pension Board. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

Normal retirement is available upon the earlier of: 1) attainment of age fifty-five and completion of ten years of credited service, or 2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

The normal retirement benefit shall be equal to 2.75% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty and a health supplement.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the Fire Plan investment policies.

**Financial Statements**

The financial statements of the plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. The City's single-employer pension plans do not issue stand-alone financial statements.

**Contributions**

The State of Florida also makes contributions to the Firefighters' and Police Officers' Retirement Plans in accordance with Chapter 175 and Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for each plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

Contributions to the City's pension plans for the year ended September 30, 2023, were as follows:

	<b>General Employees' Plan</b>	<b>Police Officers' Plan</b>	<b>Firemen's Plan</b>	<b>Total</b>
Employee contributions	\$ 11,081	\$ 110,177	\$ 72,723	\$ 193,981
City contributions	74,959	156,450	117,375	348,784
State contributions	-	165,145	90,501	255,646
Total contributions	<u>\$ 86,040</u>	<u>\$ 431,772</u>	<u>\$ 280,599</u>	<u>\$ 798,411</u>

**Investment Policy**

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2023:

<b>Asset Class</b>	<b>Target Asset Allocation</b>		
	<b>General Employees' Plan</b>	<b>Police Officers' Plan</b>	<b>Firemen's Plan</b>
Domestic equities	80%	50%	60%
Bonds	15%	0%	15%
Cash and equivalents	2%	0%	0%
Real estate	3%	10%	15%
International equities	0%	15%	10%
Broad market fixed income	0%	20%	0%
Non-core fixed income	0%	5%	0%

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

**Net Pension Liability (Asset)**

The components of the net pension liability (asset) of the pension plans at September 30, 2023, were as follows:

	<u>General Employees' Plan</u>	<u>Police Officers' Plan</u>	<u>Firemen's Plan</u>	<u>Total</u>
Total pension liability	\$ 23,315,803	\$ 17,672,466	\$ 12,366,618	\$ 53,354,887
Plan fiduciary net position	<u>(21,148,432)</u>	<u>(18,297,610)</u>	<u>(10,551,965)</u>	<u>(49,998,007)</u>
Net pension liability (asset)	<u>\$ 2,167,371</u>	<u>\$ (625,144)</u>	<u>\$ 1,814,653</u>	<u>\$ 3,356,880</u>
Plan fiduciary net position as percentage of total pension liability	90.70%	103.54%	85.33%	93.71%

The total pension liability was determined by actuarial valuation as of October 1, 2022 and measurement dates of September 30, 2023, using the following actuarial assumptions to all measurement periods.

	<u>General Employees' Plan</u>	<u>Police Officers' Plan</u>	<u>Firemen's Plan</u>
Inflation	2.75%	2.50%	2.75%
Salary increases	4.00-7.00%	Service-based	4.00-7.00%
Investment rate of return	7.25%	7.00%	7.55%
Mortality table	FRS Tables	FRS Tables	FRS Tables

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>		
	<u>General Employees' Plan</u>	<u>Police Officers' Plan</u>	<u>Firemen's Plan</u>
Domestic equities	8.3%	7.50%	9.3%
Bonds	5.3%	n/a	5.3%
Cash and equivalents	1.8%	n/a	1.8%
Real estate	7.3%	4.50%	7.3%
International equities	10.3%	8.50%	10.3%
Treasuries	4.8%	n/a	4.8%
Broad market fixed income	n/a	2.50%	n/a
Non-core fixed income	n/a	3.50%	n/a

**CITY OF LAKE CITY, FLORIDA**  
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**SEPTEMBER 30, 2023**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

*Discount rate*

The discount rate used to measure the total pension liability for each pension plan varied as discussed on the following pages. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in net pension liability:*

Changes in each plan's net pension liability were as follows:

	<b>General Employees' Plan</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (asset) (a - b)</b>
Beginning Balance	\$ 23,309,799	\$ 20,288,195	\$ 3,021,604
Changes for year:			
Service cost	43,874	-	43,874
Interest	1,629,032	-	1,629,032
Differences between expected/actual experience	101,660	-	101,660
Changes of assumptions	-	-	-
Contributions – employer	-	74,959	(74,959)
Contributions – employee	-	11,081	(11,081)
Net investment income	-	2,583,563	(2,583,563)
Benefit payments, including refunds	(1,768,562)	(1,768,562)	-
Administrative expenses	-	(40,804)	40,804
Net changes	<u>6,004</u>	<u>860,237</u>	<u>(854,233)</u>
Ending Balance	<u>\$ 23,315,803</u>	<u>\$ 21,148,432</u>	<u>\$ 2,167,371</u>
	<b>Police Officers' Plan</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (asset) (a - b)</b>
Beginning Balance	\$ 16,300,528	\$ 16,538,248	\$ (237,720)
Changes for year:			
Service cost	359,031	-	359,031
Interest	1,133,018	-	1,133,018
Differences between expected/actual experience	827,073	-	827,073
Contributions – employer	-	156,450	(156,450)
Contributions – state	-	165,145	(165,145)
Contributions – employee	-	110,177	(110,177)
Net investment income	-	2,325,347	(2,325,347)
Benefit payments, including refunds	(947,184)	(947,184)	-
Administrative expenses	-	(50,573)	50,573
Net changes	<u>1,371,938</u>	<u>(1,759,362)</u>	<u>(387,424)</u>
Ending Balance	<u>\$ 17,672,466</u>	<u>\$ 14,778,886</u>	<u>\$ (625,144)</u>

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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(13) **Employee Retirement Systems and Pension Funds:** (Continued)

	<b>Firemen's Plan</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (asset) (a - b)</b>
Beginning Balance	\$ 11,807,718	\$ 10,093,119	\$ 1,714,599
Changes for year:			
Service cost	181,746	-	181,746
Interest	844,989	-	844,989
Differences between expected/actual experience	201,046	-	201,046
Changes of assumptions	-	-	-
Contributions – employer	-	117,375	(117,375)
Contributions – state	-	90,501	(90,501)
Contributions – employee	-	72,723	(72,723)
Net investment income	-	928,664	(928,664)
Benefit payments, including refunds	(668,881)	(668,881)	-
Administrative expenses	-	(81,536)	81,536
Net changes	<u>558,900</u>	<u>458,846</u>	<u>100,054</u>
Ending Balance	<u>\$ 12,366,618</u>	<u>\$ 10,551,965</u>	<u>\$ 1,814,653</u>

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability of the City calculated using the selected discount rates, as well as what the City's net pension liability (NPL) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<b>Plan</b>	<b>Current Discount Rate</b>	<b>NPL with 1% Decrease</b>	<b>NPL at Current Discount Rate</b>	<b>NPL with 1% Increase</b>
General Employees	7.25%	\$ 4,511,035	\$ 2,167,371	\$ 324,324
Police	7.00%	1,693,854	(625,144)	(2,522,848)
Fire	7.55%	3,308,285	1,814,653	695,119
Total		<u>\$ 9,513,174</u>	<u>\$ 3,356,880</u>	<u>\$ (1,503,405)</u>

For the year ended September 30, 2023, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	<b>General Employees Plan</b>	<b>Police Officers' Plan</b>	<b>Firemen's Plan</b>
Annual money-weighted rate of return	12.49%	14.31%	9.10%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.



**CITY OF LAKE CITY, FLORIDA**  
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(13) **Employee Retirement Systems and Pension Funds:** (Continued)

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions**

For the year ended September 30, 2023, the City recognized pension expense of \$1,031,399, \$872,026, and \$732,166 in the General Employees, Police Officers', and Firemen's pension plans, respectively, for a total of \$2,635,951.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>General Employees' Plan</b>		<b>Police Officers' Plan</b>		<b>Firemen's Plan</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -	\$ 551,382	\$ (225,247)	\$ 192,803	\$ (231,192)
Changes of assumptions	-	-	-	(35,664)	320,240	-
Net different between projected and actual investment earnings	3,961,344	(2,275,820)	1,168,504	-	1,924,086	(793,576)
	<u>\$ 3,961,344</u>	<u>\$ (2,275,820)</u>	<u>\$ 1,719,886</u>	<u>\$ (260,911)</u>	<u>\$ 2,437,129</u>	<u>\$ (1,024,768)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	<b>General Employees' Plan</b>	<b>Police Officers' Plan</b>	<b>Firemen's Plan</b>
2024	\$ 426,564	\$ 286,907	\$ 390,489
2025	413,067	660,228	337,057
2026	1,080,921	749,336	628,895
2027	(235,028)	(237,496)	22,412
2028	-	-	33,508
Thereafter	-	-	-

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

**C. Pension Fund Financial Statements**

The City does not issue separate financial statements for General Employees', Police Officers', or Firemen's Pension Plan. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2023:

**STATEMENT OF FIDUCIARY NET POSITION**

	<u>General Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents with trustee	\$ 1,607,056	\$ 1,073,292	\$ 341,955	\$ 3,022,303
Total cash and cash equivalents	<u>1,607,056</u>	<u>1,073,292</u>	<u>341,955</u>	<u>3,022,303</u>
Receivables				
Contributions receivable	-	-	94,311	94,311
Interest and dividends receivable	25,179	36,844	30,512	92,535
Total receivables	<u>25,179</u>	<u>36,844</u>	<u>124,823</u>	<u>186,846</u>
Investments, at fair value				
Corporate bonds	694,631	4,874,219	487,565	6,056,415
Municipal bonds	3,312,488	-	1,132,568	4,445,056
Equities	13,010,221	12,378,745	7,317,482	32,706,448
Mutual funds	2,498,857	-	-	2,498,857
Real estate funds	-	-	1,152,938	1,152,938
Total investments	<u>19,516,197</u>	<u>17,252,964</u>	<u>10,090,553</u>	<u>46,859,714</u>
Total assets	<u>\$ 21,148,432</u>	<u>\$ 18,363,100</u>	<u>\$ 10,557,331</u>	<u>\$ 50,068,863</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 65,490	\$ 1,556	\$ 67,046
Total liabilities	<u>\$ -</u>	<u>\$ 65,490</u>	<u>\$ 1,556</u>	<u>\$ 67,046</u>
<b>NET POSITION</b>				
Restricted for pensions	<u>\$ 21,148,432</u>	<u>\$ 18,297,610</u>	<u>\$ 10,555,775</u>	<u>\$ 50,001,817</u>

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
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(13) **Employee Retirement Systems and Pension Funds:** (Continued)

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	<u>General Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
<b>Additions</b>				
Contributions:				
Employer	\$ 74,959	\$ 156,450	\$ 117,375	\$ 348,784
Plan members	11,081	110,177	72,723	193,981
State - insurance premium taxes	-	165,145	90,501	255,646
Total contributions	<u>86,040</u>	<u>431,772</u>	<u>280,599</u>	<u>798,411</u>
Investment earnings				
Net appreciation (depreciation) in fair value of investments	2,121,689	1,687,642	740,768	4,550,099
Interest and dividends	589,383	677,093	239,065	1,505,541
Total investment earnings	<u>2,711,072</u>	<u>2,364,735</u>	<u>979,833</u>	<u>6,055,640</u>
Less: investment expense	<u>(126,445)</u>	<u>(39,388)</u>	<u>(47,359)</u>	<u>(213,192)</u>
Net investment income (loss)	2,584,627	2,325,347	932,474	5,842,448
Total additions	<u>2,670,667</u>	<u>2,757,119</u>	<u>1,213,073</u>	<u>6,640,859</u>
<b>Deductions</b>				
Benefit payments and refunds	1,768,561	947,184	668,881	3,384,626
Administrative expenses	41,869	50,573	81,536	173,978
Total deductions	<u>1,810,430</u>	<u>997,757</u>	<u>750,417</u>	<u>3,558,604</u>
<b>Change in net position</b>	860,237	1,759,362	462,656	3,082,255
<b>Net position restricted for pensions, beginning of year</b>	20,288,195	16,538,248	10,093,119	46,919,562
<b>Net position restricted for pensions, end of year</b>	<u>\$ 21,148,432</u>	<u>\$ 18,297,610</u>	<u>\$ 10,555,775</u>	<u>\$ 50,001,817</u>

(14) **Fund Deficits:**

The Airport Capital Projects Fund deficit of \$225,321 represents the cumulative costs of projects in excess of fund revenues. This is primarily due to expenses that should have been budgeted for and recorded in the general fund.

The Drug Task Force Grant Special Revenue Fund deficit of \$3,977 primarily represents expenditures in excess of grant revenues in prior years and current year due to expenses budgeted and charged that ultimately were not grant eligible expenses.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

(15) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2023, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends various provisions regarding the calculation methodology and required disclosures related to the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.
- (b) GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The objective of GASB 102 is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The effective date for implementation is fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- (c) GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAKE CITY, FLORIDA  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
LAST 10 FISCAL YEARS  
(UNAUDITED)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 28,992	\$ 12,413	\$ 12,001	\$ 30,155	\$ 5,703	\$ 6,136
Interest	18,709	13,365	12,762	44,414	5,361	5,232
Difference between expected and actual experience	-	(14,855)	-	13,789	-	-
Changes of assumptions	(3,647)	(5,754)	-	(39,452)	6,934	(6,155)
Estimated benefit payments	(18,197)	(20,183)	(19,222)	(61,624)	(21,046)	(19,532)
Change in actuarial methodology	-	-	-	264,498	-	-
Net change in total OPEB liability	<u>25,857</u>	<u>(15,014)</u>	<u>5,541</u>	<u>251,780</u>	<u>(3,048)</u>	<u>(14,319)</u>
Total OPEB liability - beginning of year	372,218	387,232	381,691	129,911	132,959	147,278
<b>Total OPEB liability - end of year</b>	<u><u>\$ 398,075</u></u>	<u><u>\$ 372,218</u></u>	<u><u>\$ 387,232</u></u>	<u><u>\$ 381,691</u></u>	<u><u>\$ 129,911</u></u>	<u><u>\$ 132,959</u></u>
Covered employee payroll	\$ 10,936,162	\$ 10,515,540	\$ 10,174,196	\$ 9,782,881	\$ 10,197,400	\$ 9,819,243
Total OPEB liability as a percentage of covered employee payroll	3.64%	3.54%	3.81%	3.90%	1.27%	1.35%

Notes to Schedule:

There are no assets accumulated in a trust that pay for related benefits.

Valuation date:	9/30/2022	9/30/2022	9/30/2020	9/30/2020	9/30/2018	9/30/2018
Measurement date:	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

4.87%	4.77%	3.43%	3.43%	3.58%	4.18%
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Benefit Payments. The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2023. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

\*10 years of data will be presented as it becomes available.

**CITY OF LAKE CITY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**GENERAL EMPLOYEES' PENSION PLAN**  
**SEPTEMBER 30, 2023**  
**(UNAUDITED)**

Fiscal Year Ending September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>										
Service cost	\$ 43,874	\$ 47,311	\$ 44,592	\$ 61,012	\$ 60,437	\$ 93,780	\$ 92,950	\$ 126,321	\$ 151,095	\$ 193,901
Interest	1,629,032	1,649,585	1,684,732	1,800,627	1,790,729	1,765,941	1,661,505	1,652,136	1,604,706	1,642,659
Difference between actual and expected experience	101,660	39,130	(273,272)	(502,409)	2,584	141,087	-	(241,541)	52,506	(512,911)
Changes of assumptions	-	695,769	203,117	(792,801)	-	-	1,052,237	-	40,814	39,439
Benefit payments including refunds of contributions	(1,768,562)	(1,846,970)	(1,824,472)	(1,698,079)	(1,755,133)	(1,540,109)	(1,379,802)	(1,385,504)	(1,190,298)	(1,139,297)
Net change in total pension liability	6,004	584,825	(165,303)	(1,131,650)	98,617	460,699	1,426,890	151,412	658,823	223,791
Total pension liability - beginning	23,309,799	22,724,974	22,890,277	24,021,927	23,923,310	23,462,611	22,035,721	21,884,309	21,225,486	21,001,695
<b>Total pension liability - ending (a)</b>	<u>\$ 23,315,803</u>	<u>\$ 23,309,799</u>	<u>\$ 22,724,974</u>	<u>\$ 22,890,277</u>	<u>\$ 24,021,927</u>	<u>\$ 23,923,310</u>	<u>\$ 23,462,611</u>	<u>\$ 22,035,721</u>	<u>\$ 21,884,309</u>	<u>\$ 21,225,486</u>
<b>Total Fiduciary Net Position</b>										
Contributions - employer	\$ 74,959	\$ 534,812	\$ 731,849	\$ 793,601	\$ 904,774	\$ 959,005	\$ 960,362	\$ 903,328	\$ 985,384	\$ 1,089,395
Contributions - employee	11,081	9,447	12,610	13,594	14,057	16,597	19,425	23,359	26,763	31,280
Net investment income	2,583,563	(4,646,657)	4,862,079	1,580,006	623,945	2,324,679	2,453,755	1,575,111	(252,263)	1,690,061
Benefit payments, including refunds of contributions	(1,768,562)	(1,846,970)	(1,678,087)	(1,698,079)	(1,755,133)	(1,540,109)	(1,379,802)	(1,385,504)	(1,190,298)	(1,144,518)
Administrative expense	(40,804)	(35,193)	(30,390)	(35,699)	(34,861)	(38,286)	(32,166)	(38,134)	(39,845)	(34,060)
Net change in plan fiduciary net position	860,237	(5,984,561)	3,898,061	653,423	(247,218)	1,721,886	2,021,574	1,078,160	(470,259)	1,632,158
Plan fiduciary net position - beginning	20,288,195	26,272,756	22,374,695	21,721,272	21,968,490	20,246,604	18,225,030	17,146,870	17,617,129	15,984,971
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 21,148,432</u>	<u>\$ 20,288,195</u>	<u>\$ 26,272,756</u>	<u>\$ 22,374,695</u>	<u>\$ 21,721,272</u>	<u>\$ 21,968,490</u>	<u>\$ 20,246,604</u>	<u>\$ 18,225,030</u>	<u>\$ 17,146,870</u>	<u>\$ 17,617,129</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 2,167,371</u>	<u>\$ 3,021,604</u>	<u>\$ (3,547,782)</u>	<u>\$ 515,582</u>	<u>\$ 2,300,655</u>	<u>\$ 1,954,820</u>	<u>\$ 3,216,007</u>	<u>\$ 3,810,691</u>	<u>\$ 4,737,439</u>	<u>\$ 3,608,357</u>
Plan fiduciary net position as a percentage of the total pension liability	90.70%	87.04%	115.61%	97.75%	90.42%	91.83%	86.29%	82.71%	78.35%	83.00%
Covered payroll	\$ 573,197	\$ 653,842	\$ 641,929	\$ 757,478	\$ 855,211	\$ 1,015,616	\$ 1,087,009	\$ 1,129,111	\$ 1,496,576	\$ 1,625,433
Net pension liability (asset) as a percentage of covered payroll	378.12%	462.13%	-552.68%	68.07%	269.02%	192.48%	295.86%	337.49%	316.55%	221.99%

**CITY OF LAKE CITY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**POLICE OFFICERS' PENSION PLAN**  
**SEPTEMBER 30, 2023**  
**(UNAUDITED)**

Fiscal Year Ending September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>										
Service cost	\$ 359,031	\$ 274,854	\$ 315,202	\$ 337,030	\$ 340,336	\$ 368,645	\$ 341,397	\$ 437,718	\$ 425,461	\$ 432,783
Interest	1,133,018	1,118,723	1,122,896	1,133,857	1,099,762	1,041,883	1,050,183	1,014,179	969,009	906,193
Change in excess of state money	-	-	(10,334)	-	-	-	-	-	-	-
Share plan allocation	-	-	10,334	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	(132,292)	-	-
Difference between actual and expected experience	827,073	(345,638)	(13,697)	(550,169)	(185,395)	155,061	(741,233)	(303,219)	(118,614)	-
Changes of assumptions	-	-	535,602	(178,322)	-	-	-	587,453	-	-
Benefit payments including refunds of contributions	(947,184)	(908,632)	(931,731)	(801,700)	(791,895)	(739,201)	(837,333)	(609,763)	(536,201)	(506,056)
Net change in total pension liability	1,371,938	139,307	1,028,272	(59,304)	462,808	826,388	(186,986)	994,076	739,655	832,920
Total pension liability - beginning	16,300,528	16,161,221	15,132,949	15,192,253	14,729,445	13,903,057	14,090,043	13,095,967	12,356,312	11,523,392
<b>Total pension liability - ending (a)</b>	<u>\$ 17,672,466</u>	<u>\$ 16,300,528</u>	<u>\$ 16,161,221</u>	<u>\$ 15,132,949</u>	<u>\$ 15,192,253</u>	<u>\$ 14,729,445</u>	<u>\$ 13,903,057</u>	<u>\$ 14,090,043</u>	<u>\$ 13,095,967</u>	<u>\$ 12,356,312</u>
<b>Total Fiduciary Net Position</b>										
Contributions - employer	\$ 156,450	\$ 177,585	\$ 189,148	\$ 185,478	\$ 237,500	\$ 296,710	\$ 297,723	\$ 514,483	\$ 689,254	\$ 605,655
Contributions - state	165,145	141,291	132,580	122,100	117,283	105,293	112,064	118,886	95,363	95,877
Contributions - employee	110,177	98,668	83,695	85,175	87,382	93,893	85,582	84,732	88,082	84,726
Net investment income	2,325,347	(3,511,730)	3,153,185	1,794,659	633,430	1,379,459	1,595,827	1,279,744	(359,178)	1,184,164
Benefit payments, including refunds of contributions	(947,184)	(908,632)	(931,731)	(801,700)	(791,895)	(739,201)	(837,333)	(609,763)	(536,201)	(506,056)
Administrative expense	(50,573)	(49,769)	(43,468)	(35,156)	(37,873)	(37,338)	(33,774)	(44,309)	(33,094)	(20,159)
Net change in plan fiduciary net position	1,759,362	(4,052,587)	2,583,409	1,350,556	245,827	1,098,816	1,220,089	1,343,773	(55,774)	1,444,207
Plan fiduciary net position - beginning	16,538,248	20,590,835	18,007,426	16,656,870	16,411,043	15,312,227	14,092,138	12,748,365	12,804,139	11,359,932
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 18,297,610</u>	<u>\$ 16,538,248</u>	<u>\$ 20,590,835</u>	<u>\$ 18,007,426</u>	<u>\$ 16,656,870</u>	<u>\$ 16,411,043</u>	<u>\$ 15,312,227</u>	<u>\$ 14,092,138</u>	<u>\$ 12,748,365</u>	<u>\$ 12,804,139</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (625,144)</u>	<u>\$ (237,720)</u>	<u>\$ (4,429,614)</u>	<u>\$ (2,874,477)</u>	<u>\$ (1,464,617)</u>	<u>\$ (1,681,598)</u>	<u>\$ (1,409,170)</u>	<u>\$ (2,095)</u>	<u>\$ 347,602</u>	<u>\$ (447,827)</u>
Plan fiduciary net position as a percentage of the total pension liability	103.54%	101.46%	127.41%	118.99%	109.64%	111.42%	110.14%	100.01%	97.35%	103.62%
Covered payroll	\$ 2,203,532	\$ 1,973,362	\$ 1,673,911	\$ 1,703,503	\$ 1,747,646	\$ 1,877,855	\$ 1,711,639	\$ 1,694,648	\$ 1,819,061	\$ 1,694,522
Net pension liability as a percentage of covered payroll	-28.37%	-12.05%	-264.63%	-168.74%	-83.81%	-89.55%	-82.33%	-0.12%	19.11%	-26.43%



**CITY OF LAKE CITY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FIREMEN'S PENSION PLAN**  
**SEPTEMBER 30, 2023**  
**(UNAUDITED)**

Fiscal Year Ending September 30,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>										
Service cost	\$ 181,746	\$ 116,411	\$ 116,968	\$ 135,094	\$ 99,824	\$ 153,355	\$ 141,339	\$ 129,860	\$ 129,239	\$ 120,314
Interest	844,989	841,815	838,458	813,550	826,579	786,676	750,730	723,418	661,734	594,942
Difference between actual and expected experience	201,046	(178,334)	(224,605)	75,794	(521,796)	341,659	-	(83,851)	212,813	759,502
Changes of assumptions	-	368,491	122,196	40,444	-	-	173,054	-	204,390	-
Benefit payments including refunds of contributions	(668,881)	(748,253)	(577,387)	(590,510)	(625,468)	(801,078)	(425,576)	(431,420)	(449,619)	(369,386)
Net change in total pension liability	558,900	400,130	275,630	474,372	(220,861)	480,612	639,547	338,007	758,557	1,105,372
Total pension liability - beginning	11,807,718	11,407,588	11,131,958	10,657,586	10,878,447	10,397,835	9,758,288	9,420,281	8,661,724	7,556,352
<b>Total pension liability - ending (a)</b>	<u>\$ 12,366,618</u>	<u>\$ 11,807,718</u>	<u>\$ 11,407,588</u>	<u>\$ 11,131,958</u>	<u>\$ 10,657,586</u>	<u>\$ 10,878,447</u>	<u>\$ 10,397,835</u>	<u>\$ 9,758,288</u>	<u>\$ 9,420,281</u>	<u>\$ 8,661,724</u>
<b>Total Fiduciary Net Position</b>										
Contributions - employer	\$ 117,375	\$ 226,116	\$ 249,735	\$ 312,178	\$ 355,220	\$ 314,888	\$ 368,917	\$ 305,436	\$ 254,845	\$ 294,336
Contributions - state	90,501	69,290	69,520	64,182	63,423	63,787	-	-	-	-
Contributions - employee	72,723	47,764	48,297	48,149	46,851	41,533	43,185	41,491	41,979	41,811
Net investment income	928,664	(2,174,716)	2,358,089	523,436	168,343	1,124,631	1,111,293	1,066,780	(289,594)	971,584
Benefit payments, including refunds of contributions	(668,881)	(748,253)	(577,387)	(590,510)	(625,468)	(801,078)	(425,576)	(431,420)	(449,619)	(369,386)
Administrative expense	(81,536)	(40,481)	(47,817)	(57,355)	(51,202)	(61,945)	(54,477)	(43,425)	(38,590)	(30,193)
Other	-	-	-	-	-	-	-	-	32,341	-
Net change in plan fiduciary net position	458,846	(2,620,280)	2,100,437	300,080	(42,833)	681,816	1,043,342	938,862	(448,638)	908,152
Plan fiduciary net position - beginning	10,093,119	12,713,399	10,612,962	10,312,882	10,355,715	9,673,899	8,630,557	7,691,695	8,140,333	7,232,181
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 10,551,965</u>	<u>\$ 10,093,119</u>	<u>\$ 12,713,399</u>	<u>\$ 10,612,962</u>	<u>\$ 10,312,882</u>	<u>\$ 10,355,715</u>	<u>\$ 9,673,899</u>	<u>\$ 8,630,557</u>	<u>\$ 7,691,695</u>	<u>\$ 8,140,333</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 1,814,653</u>	<u>\$ 1,714,599</u>	<u>\$ (1,305,811)</u>	<u>\$ 518,996</u>	<u>\$ 344,704</u>	<u>\$ 522,732</u>	<u>\$ 723,936</u>	<u>\$ 1,127,731</u>	<u>\$ 1,728,586</u>	<u>\$ 521,391</u>
Plan fiduciary net position as a percentage of the total pension liability	85.33%	85.48%	111.45%	95.34%	96.77%	95.19%	93.04%	88.44%	81.65%	93.98%
Covered payroll	\$ 1,212,587	\$ 852,342	\$ 928,815	\$ 1,019,505	\$ 793,729	\$ 879,278	\$ 861,178	\$ 834,327	\$ 805,330	\$ 808,371
Net pension liability as a percentage of covered payroll	149.65%	201.16%	-140.59%	50.91%	43.43%	59.45%	84.06%	135.17%	214.64%	64.50%

**CITY OF LAKE CITY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
GENERAL EMPLOYEES' PENSION PLAN  
SEPTEMBER 30, 2023  
(UNAUDITED)**

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Contributions in Relation to ADC</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as Percentage of Employee Payroll</u>
2023	\$ 71,510	\$ 77,676	\$ (6,166)	\$ 573,197	13.55%
2022	77,783	555,001	(477,218)	653,842	84.88%
2021	758,079	759,842	(1,763)	641,929	118.37%
2020	798,065	824,353	(26,288)	757,478	108.83%
2019	930,235	939,834	(9,599)	855,211	109.89%
2018	974,284	996,166	(21,882)	1,015,616	98.08%
2017	995,683	997,576	(1,893)	1,087,009	91.77%
2016	976,209	938,332	37,877	1,129,111	83.10%
2015	988,182	1,023,568	(35,386)	1,496,576	68.39%
2014	1,123,502	1,130,821	(7,319)	1,625,433	69.57%

Notes to Schedule:

Valuation Date: 10/1/2022

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	N/A
Asset Valuation Method:	Actuarial Value, Based on 5-year Recognition of Returns Greater or Less Than the Assumed Investment Return.
Inflation:	2.75%
Investment Rate of Return:	7.25%
Salary Increases:	7% to 4%
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	FRS Mortality Table

**CITY OF LAKE CITY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
POLICE OFFICERS' PENSION PLAN  
SEPTEMBER 30, 2023  
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2023	\$ 341,547	\$ 321,595	\$ 19,952	\$ 2,203,532	14.59%
2022	343,365	318,876	24,489	1,973,362	16.16%
2021	291,260	321,728	(30,468)	1,673,911	19.22%
2020	294,706	307,578	(12,872)	1,703,503	18.06%
2019	328,557	354,783	(26,226)	1,747,646	20.30%
2018	339,892	402,003	(62,111)	1,877,855	21.41%
2017	373,137	409,787	(36,650)	1,711,639	23.94%
2016	460,944	633,369	(172,425)	1,694,648	37.37%
2015	598,956	784,617	(185,661)	1,819,061	43.13%
2014	701,532	701,532	-	1,694,522	41.40%

Notes to Schedule:

Valuation Date: 10/1/2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method  
Amortization Method: Level Percentage of Pay, Closed  
Remaining Amortization Period: 30 Years (as of 10/1/2015 Valuation)  
Mortality: RP-2000 Table with No Projection - (Disabled Lives Set Forward 5 Years)  
Retirement Age: Earlier of Age 55 and 10 Years of Service, or Age 52 with 25 Years of Service  
Interest Rate: 7.00% per Year Compounded Annually, Net of Investment Related Expenses  
Salary Increases: 15.00% in first year of employment and 4.00% per year during each subsequent year until the assumed retirement age.  
Early Retirement: Commencing with the Attainment of Early Retirement Status, Members are Assumed to Retire with an Immediate Subsidized Benefit at the Rate of 5% per Year  
Payroll Growth: 1.00% per Year  
Cost of Living Adjustment: 2.00% per Year Beginning at Age 60  
Asset Valuation Method: Each Year, the Prior Actuarial Value of Assets is Brought Forward Utilizing the Historical Geometric 4-Year Average Market Value Return; it is Possible that Over Time this Technique will Produce an Insignificant Bias Above or Below Market Value  
Termination and Disability Rate: See Table Below

Age	Percent Terminating During the Year	Percent Becoming Disabled During the Year
20	9.00%	0.15%
30	7.50%	0.20%
40	3.90%	0.35%
50	1.20%	0.90%

**CITY OF LAKE CITY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FIREMEN'S PENSION PLAN  
SEPTEMBER 30, 2023  
(UNAUDITED)**

<b>Fiscal Year</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Contributions in Relation to ADC</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as Percentage of Employee Payroll</b>
2023	\$ 142,809	\$ 215,412	\$ (72,603)	\$ 1,212,587	17.76%
2022	299,277	306,558	(7,281)	852,342	35.97%
2021	326,538	331,467	(4,929)	928,815	35.69%
2020	296,723	390,944	(94,221)	1,019,505	38.35%
2019	382,219	434,865	(52,646)	793,729	54.79%
2018	384,222	393,349	(9,127)	879,278	44.74%
2017	382,832	383,213	(381)	861,178	44.50%
2016	382,832	317,272	65,560	834,327	38.03%
2015	249,267	264,721	(15,454)	805,330	32.87%
2014	292,123	303,916	(11,793)	808,371	37.60%

Notes to Schedule:

Valuation Date: 10/1/2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	15 years
Asset Valuation Method:	Actuarial Value, Based on 5-year Recognition of Returns Greater or Less Than the Assumed Investment Return.
Inflation:	2.75%
Investment Rate of Return:	7.55%
Salary Increases:	7% to 4%
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	FRS Mortality Table

**CITY OF LAKE CITY, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF INVESTMENT RETURNS  
 SEPTEMBER 30, 2023  
 (UNAUDITED)**

<b>For the Year Ending September 30,</b>	<b>General Employees' Pension Plan</b>	<b>Police Officers' Pension Plan</b>	<b>Firemen's Pension Plan</b>
2023	12.49%	14.31%	9.10%
2022	-19.97%	-17.30%	-19.09%
2021	20.60%	17.80%	20.13%
2020	7.18%	11.03%	4.81%
2019	7.01%	3.91%	1.39%
2018	8.68%	9.11%	9.57%
2017	14.41%	11.49%	13.03%
2016	9.97%	10.06%	14.81%
2015	-0.82%	-2.79%	-2.72%
2014	11.31%	10.38%	14.75%

**CITY OF LAKE CITY, FLORIDA**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS**  
**(UNAUDITED)**

	As of the Plan Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Florida Retirement System (FRS)</b>										
Proportion of the net pension liability	0.013997843%	0.014137094%	0.013452569%	0.012749094%	0.012380148%	0.011489332%	0.010534545%	0.010698858%	0.011407846%	0.009832049%
Proportionate share of the net pension liability	\$ 5,577,697	\$ 5,260,135	\$ 1,016,189	\$ 5,525,645	\$ 4,263,551	\$ 3,460,646	\$ 3,116,048	\$ 2,701,470	\$ 1,473,476	\$ 599,900
Covered payroll	6,799,673	6,315,764	5,609,878	5,584,157	5,391,958	5,043,764	4,883,093	4,722,366	4,587,672	3,918,194
Proportionate share of the net pension liability as a percentage of covered payroll	82.03%	83.29%	18.11%	98.95%	79.07%	68.61%	63.81%	57.21%	32.12%	15.31%
Plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>										
Proportion of the net pension liability	0.017158944%	0.017326791%	0.015842776%	0.016086160%	0.016118867%	0.015439074%	0.015319547%	0.015298419%	0.015115116%	0.013187655%
Proportionate share of the net pension liability	\$ 2,725,069	\$ 1,835,184	\$ 1,943,355	\$ 1,964,094	\$ 1,803,540	\$ 1,634,089	\$ 1,638,037	\$ 1,782,967	\$ 1,541,506	\$ 1,233,078
Covered payroll	6,799,673	6,315,764	5,609,878	5,584,157	5,391,958	5,043,764	4,883,093	4,722,366	4,587,672	3,918,194
Proportionate share of the net pension liability as a percentage of covered payroll	40.08%	29.06%	34.64%	35.17%	33.45%	32.40%	33.55%	37.76%	33.60%	31.47%
Plan fiduciary net position as a percentage of the total pension liability	4.12%	4.81%	3.56%	3%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

**CITY OF LAKE CITY, FLORIDA  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS  
(UNAUDITED)**

	For the Fiscal Year Ended September 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Florida Retirement System (FRS)</b>										
Contractually required contribution	\$ 708,463	\$ 585,847	\$ 533,708	\$ 423,596	\$ 383,874	\$ 327,437	\$ 274,240	\$ 260,909	\$ 278,133	\$ 215,364
Contributions in relation to the contractually required contribution	708,463	585,847	533,708	423,596	383,874	327,437	274,240	260,909	278,133	215,364
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,984,082	\$ 6,227,331	\$ 5,635,167	\$ 5,584,157	\$ 5,391,958	\$ 5,043,764	\$ 4,883,093	\$ 4,722,366	\$ 4,587,672	\$ 3,918,194
Contributions as a percentage of covered payroll	10.14%	9.41%	9.47%	7.59%	7.12%	6.49%	5.62%	5.52%	6.06%	5.50%
<b>Health Insurance Subsidy Program (HIS)</b>										
Contractually required contribution	\$ 121,465	\$ 103,374	\$ 93,544	\$ 92,697	\$ 89,507	\$ 83,726	\$ 81,075	\$ 78,414	\$ 57,779	\$ 45,176
Contributions in relation to the contractually required contribution	121,465	103,374	93,544	92,697	89,507	83,726	81,075	78,414	57,779	45,176
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 6,984,082	\$ 6,227,331	\$ 5,635,167	\$ 5,584,157	\$ 5,391,958	\$ 5,043,764	\$ 4,883,093	\$ 4,722,366	\$ 4,587,672	\$ 3,918,194
Contributions as a percentage of covered payroll	1.74%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

**CITY OF LAKE CITY, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2023**

	<u>Special Revenue Funds</u>						<b>Total Nonmajor Governmental Funds</b>	
	<u>Airport</u>	<u>Seized Assets</u>	<u>Special Police</u>	<u>Drug Task Force Grant</u>	<u>CDBG Housing</u>	<u>Sales Tax Bond</u>		<u>Debt Service</u>
<b>ASSETS</b>								
Equity in pooled cash and cash equivalents	\$ 731,497	\$ 93,324	\$ 80,403	\$ -	\$ -	\$ 1,664,141	\$ 147,398	\$ 2,716,763
Receivables, net	708	-	-	-	-	-	-	708
Due from other governments	-	-	-	16,624	-	-	-	16,624
Leases receivable	6,615,029	-	-	-	-	-	-	6,615,029
Due from other funds	-	-	-	-	-	-	-	-
Inventories	124,033	-	-	-	-	-	-	124,033
Prepaid items	1,992	-	-	-	-	-	-	1,992
Total assets	<u>\$ 7,473,259</u>	<u>\$ 93,324</u>	<u>\$ 80,403</u>	<u>\$ 16,624</u>	<u>\$ -</u>	<u>\$ 1,664,141</u>	<u>\$ 147,398</u>	<u>\$ 9,475,149</u>
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 19,564	\$ -	\$ 15	\$ -	\$ -	\$ -	\$ -	\$ 19,579
Customer deposits	100,000	-	-	-	-	-	-	100,000
Unearned revenue	-	45,630	-	-	-	-	-	45,630
Due to other funds	-	-	-	20,601	-	-	-	20,601
Total liabilities	<u>119,564</u>	<u>45,630</u>	<u>15</u>	<u>20,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,810</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred inflows related to leases	<u>6,290,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,290,413</u>
<b>FUND BALANCES</b>								
Nonspendable:								
Inventories	124,033	-	-	-	-	-	-	124,033
Prepaid items	1,992	-	-	-	-	-	-	1,992
Restricted for:								
Public safety	-	47,694	80,388	-	-	1,664,141	-	1,792,223
Airport	937,257	-	-	-	-	-	-	937,257
Debt service	-	-	-	-	-	-	147,398	147,398
Unassigned	-	-	-	(3,977)	-	-	-	(3,977)
Total fund balances	<u>1,063,282</u>	<u>47,694</u>	<u>80,388</u>	<u>(3,977)</u>	<u>-</u>	<u>1,664,141</u>	<u>147,398</u>	<u>2,998,926</u>
Total liabilities and fund balances	<u>\$ 7,473,259</u>	<u>\$ 93,324</u>	<u>\$ 80,403</u>	<u>\$ 16,624</u>	<u>\$ -</u>	<u>\$ 1,664,141</u>	<u>\$ 147,398</u>	<u>\$ 9,475,149</u>



**CITY OF LAKE CITY, FLORIDA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Special Revenue Funds</u>						<b>Total Nonmajor Governmental Funds</b>	
	<u>Airport</u>	<u>Seized Assets</u>	<u>Special Police</u>	<u>Drug Task Force Grant</u>	<u>CDBG Housing</u>	<u>Sales Tax Bond</u>		<u>Debt Service</u>
<b>Revenues</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ 16,624	\$ -	\$ -	\$ -	\$ 16,624
Charges for services	2,036,958	-	-	-	-	-	-	2,036,958
Investment income	309,757	185	-	-	-	7,696	-	317,638
Miscellaneous	54,960	-	12,342	-	-	-	-	67,302
Total revenues	<u>2,401,675</u>	<u>185</u>	<u>12,342</u>	<u>16,624</u>	<u>-</u>	<u>7,696</u>	<u>-</u>	<u>2,438,522</u>
<b>Expenditures</b>								
Current:								
Public safety	-	-	-	9,871	-	-	-	9,871
Airport	1,665,809	-	-	-	-	-	-	1,665,809
Capital outlay	-	-	-	6,815	-	1,168,677	-	1,175,492
Debt service:								
Principal retirement	189,919	-	-	-	-	-	594,321	784,240
Interest and fiscal charges	53,921	-	-	-	-	-	250,120	304,041
Total expenditures	<u>1,909,649</u>	<u>-</u>	<u>-</u>	<u>16,686</u>	<u>-</u>	<u>1,168,677</u>	<u>844,441</u>	<u>3,939,453</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>492,026</u>	<u>185</u>	<u>12,342</u>	<u>(62)</u>	<u>-</u>	<u>(1,160,981)</u>	<u>(844,441)</u>	<u>(1,500,931)</u>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	844,439	844,439
Transfers out	(74,403)	-	-	-	(27,611)	-	-	(102,014)
Proceeds from sale of capital assets	29,125	-	-	-	-	-	-	29,125
Total other financing sources (uses)	<u>(45,278)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,611)</u>	<u>-</u>	<u>844,439</u>	<u>771,550</u>
<b>Net change in fund balances</b>	<u>446,748</u>	<u>185</u>	<u>12,342</u>	<u>(62)</u>	<u>(27,611)</u>	<u>(1,160,981)</u>	<u>(2)</u>	<u>(729,381)</u>
<b>Fund balances, beginning of year</b>	616,534	47,509	68,046	(3,915)	27,611	2,825,122	147,400	3,728,307
<b>Fund balances, end of year</b>	<u>\$ 1,063,282</u>	<u>\$ 47,694</u>	<u>\$ 80,388</u>	<u>\$ (3,977)</u>	<u>\$ -</u>	<u>\$ 1,664,141</u>	<u>\$ 147,398</u>	<u>\$ 2,998,926</u>

**CITY OF LAKE CITY, FLORIDA**  
**SCHEDULE OF NET REVENUES AND DEBT SERVICE COVERAGE**  
**UTILITY SYSTEM REVENUE AND REFUNDING BONDS**  
**SERIES 2013, SERIES 2016, AND SERIES 2020 RATE COVENANT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<b>Gross revenues</b>	
Charges for services	\$ 17,145,198
Interest	67,630
Miscellaneous income	77,007
Total gross revenues	17,289,835
Operating expenses, excluding interest, amortization, and depreciation	12,047,486
<b>Net revenues</b>	<b>\$ 5,242,349</b>
 <b>Current annual debt service</b>	
2016 Bonds	\$ 820,968
2020 Bonds	2,279,601
Total current annual debt service	<b>\$ 3,100,569</b>
 <b>Debt service coverage ratio</b>	 <b>1.69</b>
 <b>Required minimum debt service coverage ratio</b>	 <b>1.25</b>

**CITY OF LAKE CITY, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Federal/State Agency / Pass-Through Entity / Federal/State Program	ALN/ CSFA Number	Contract / Grant Number	Expenditures
<b>FEDERAL AWARDS</b>			
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State of Florida Department of Economic Opportunity Community Development Block Grant State's Program	14.228	22DB-OP-03-22-03-C04	\$ 6,500
Total U.S. Department of Housing and Urban Development			<u>6,500</u>
<u>U.S. Department of Justice</u>			
Passed through State of Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant	16.738	15PBJA-22-GG-02807-JAGX	9,872
Edward Byrne Memorial Justice Assistance Grant	16.738	15PBJA-21-GG- 241-MUMU	6,815
Total U.S. Department of Justice			<u>16,687</u>
<u>U.S. Department of Transportation</u>			
Direct			
Airport Improvement Program	20.106	3-12-0039-024-2020	7,160
Airport Improvement Program	20.106	3-12-0039--029-2022	2,156,137
Total U.S. Department of Transportation			<u>2,163,297</u>
<u>U. S. Department of Environmental Protection</u>			
Passed through State of Florida Department of Environmental Protection COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	WG044	483,747
Passed through the State of Florida Department of Environmental Protection COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	WG057	3,460
Total Department of Environmental Protection			<u>487,207</u>
<u>U.S. Department of the Treasury</u>			
Direct			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2021-FF-01330	90,577
Total U.S. Department of the Treasury			<u>90,577</u>
<b>Total Federal Awards</b>			<u><u>\$ 2,764,268</u></u>
<b>STATE FINANCIAL ASSISTANCE</b>			
<u>Florida Department of Environmental Protection</u>			
Direct:			
Statewide Water Quality Restoration Projects			
Lake City Public Access Reuse/Chlorine Contact Chamber Upgrades	37.039	LPR0016	\$ 43,262
Total Statewide Water Quality Restoration Projects			<u>43,262</u>
Florida Springs Grant Program			
Ichetucknee Spring Quality & Quantity Enhance	37.052	LP12031	34,313
Recharge Wetland Steedly Sprayfield	37.052	LPS0090	8,586
Total Florida Springs Grant Program			<u>42,899</u>
Total Florida Department of Environmental Protection			<u>86,161</u>
<u>Florida Department of Transportation</u>			
Aviation Development Grants			
Airport Design & Rehab of Runway 5-23	55.004	438011-1-94-21	1,015,778
Strategic Airport Business Plan	55.004	438033-1-94-20	33,998
Rehab of Transient Apron & Realignment of Taxiway C	55.004	444409-1	191,657
Purchase GPU	55.004	445938-2-94-23	49,995
Tree & Vegetation Removal @ LCQ	55.004	445447-2-94-23	29,500
Design & Install of Fencing, Gates, and Cameras	55.004	441222-2-94.23	66,218
Total Aviation Development Grants			<u>1,387,146</u>
Small County Outreach Program and Rural Areas of Opportunity			
Resurfacing Grandview	55.009	441428-2-54-01	45,085
Resurfacing Patterson Avenue	55.009	G2085	9,155
Total Small County Outreach Program and Rural Areas of Opportunity			<u>54,240</u>
Total Florida Department of Transportation			<u>1,441,386</u>
<b>Total State Financial Assistance</b>			<u><u>\$ 1,527,547</u></u>

The accompanying notes to the schedule of expenditures of federal awards  
and state financial assistance are an integral part of this schedule.

**CITY OF LAKE CITY, FLORIDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Lake City, Florida. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

No grant awards were passed through to subrecipients.

(3) **De Minimis Indirect Cost Rate Election:**

The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

(4) **Contingency:**

Program and project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all program and project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

**CITY OF LAKE CITY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**A. Summary of Auditors' Results:**

***Financial Statements:***

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards:***

Internal control over major Federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Type of auditors' report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   none reported

Auditee qualified as a low-risk auditee?   X   yes \_\_\_\_\_ no

Dollar threshold used to distinguish between type A and type B programs:   \$750,000  

Identification of major Federal programs:

<b>Assistance Listing Number</b>	<b>Program Name</b>
20.106	Airport Improvement Program

**CITY OF LAKE CITY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023  
(Continued)**

*State Financial Assistance:*

Internal control over major State projects:

Material weakness(es) identified? \_\_\_\_\_ yes     X  no

Significant deficiency(ies) identified? \_\_\_\_\_ yes     X  none reported

Type of auditors' report issued on compliance for major State projects:

*Unmodified*

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550? \_\_\_\_\_ yes     X  none reported

Dollar threshold used to distinguish between type A and type B programs: \$458,264

Identification of major State programs:

CSFA Number	Project Name
55.004	Aviation Grant Programs

- B. **Financial Statement Findings:** None.
- C. **Federal Program Findings and Questioned Costs:** None.
- D. **State Project Findings and Questioned Costs:** None.
- E. **Summary Schedule of Prior Audit Findings:** None.
- F. **Corrective Action Plan:** Not applicable as there are no current year findings.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Council, and City Manager,  
City of Lake City, Florida:

**Report on Compliance for Each Major Federal Program and State Project**

***Opinion on Each Major Federal Program and State Project***

We have audited the City of Lake City, Florida's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2023. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program and State Project***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program and state projects. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs and state projects.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550 Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550 Rules of the Auditor General we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550 Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

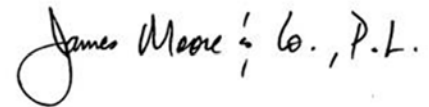
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida  
June 25, 2024

**INDEPENDENT AUDITORS' 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, City Council, and City Manager,  
City of Lake City, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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, each major fund, and the aggregate remaining fund information of the City of Lake City, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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.

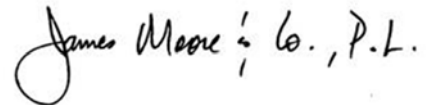
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### **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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Gainesville, Florida  
June 25, 2024

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Council, and City Manager,  
City of Lake City, Florida:

**Report on the Financial Statements**

We have audited the financial statements of City of Lake City, Florida (the City), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 25, 2024.

**Auditors' 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditors' 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*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' 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 June 25, 2024, 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. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. No recommendations remain uncorrected from the second preceding year.

**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 legal authority for the primary government and component units of the reporting entity is disclosed in Note 1 of the basic financial statements.

## **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 report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City, 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. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the 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 had the following recommendation:

**2023-001 Budgetary Compliance** – We noted expenditures in the Airport Capital Project Fund exceeded final budget by approximately \$220,000 at year-end due to a retainage year-end accrual amount becoming known subsequent to the preparation of the year-end budget amendment, which was based on the most up-to-date estimates of projected accruals. In addition to any ongoing budget amendments during the year, we recommend the City continue to perform a budget versus actual analysis subsequent to year end to identify and present any necessary budget amendments to the City Commission within the 60-day period subsequent to year-end as permitted by state statutes.

## **Special District Component Units – Lake City Community Redevelopment Agency**

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.

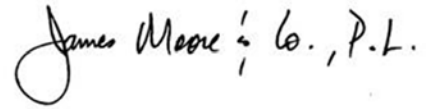
The required reporting items in accordance with Section 218.39(3)(c), Florida Statutes for the City of Lake City Community Redevelopment Agency (the CRA) have been reported in the separately-issued audited financial statements of the CRA.

## **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to address 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 have 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 Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, City Council, management, others within the City, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and a distinct "Co." followed by "P.L.".

Gainesville, Florida  
June 25, 2024

## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

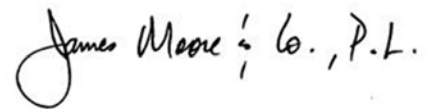
To the Honorable Mayor, City Council, and City Manager,  
City of Lake City, Florida:

We have examined the City of Lake City, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute), for the year ended September 30, 2023. The City's management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination. Our responsibility is to obtain reasonable assurance by evaluating the City's compliance with those requirements and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by evaluating whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2023, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of evaluation of the City's compliance based on our examination during the year ended September 30, 2023. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of City, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.



Gainesville, Florida  
June 25, 2024



*Phone (386) 752-2031*

*205 N. Marion Ave.  
Lake City, FL 32055*

*FAX (386) 758-5488*

June 14, 2024

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

N/A as there were no prior year audit findings.

### **MANAGEMENT'S RESPONSE TO CURRENT YEAR FINDINGS**

**2023-001 Budgetary Compliance** – A budget versus actual was performed at the end of the fiscal year and necessary budget amendments are prepared and submitted to the City Council within the 60-day timeframe following fiscal year. Airport Capital Project expenditures exceeded the final budget due to an audit adjustment to record retainage payable. Going forward, all retainage payables will be booked before the 60-day timeframe in order to make the necessary budget amendments.