

ADDENDUM TO THE MANAGEMENT LETTER

- *A written response to the 2021 audit findings.*

2021-1

Bank Statement Reconciliations

From our audit of cash, and bank statement reconciliations, we found that the reconciliations generally were not appropriate support for book balances, outstanding checks, or deposits in transit. This resulted in bank and book balances not being properly reconciled as well as a complete audit trail for cash receipts being deposited and checks disbursed. We recommend that all bank statements be reconciled on a monthly basis and agreed to general ledger balances. Outstanding items should also be reconciled in detail.

We agree with the audit finding entirely. To resolve this, in April of 2022 we began the process of performing monthly bank reconciliations that will include the entirety of the audit year 2022.

2021-2

Balance Sheet Ending Balances

From our audit of general ledger ending balances in each of the City's funds, we found that a significant amount of ending balances were either not supported by documentation or were entirely inaccurate. This resulted in balance sheet classifications not properly reflecting items such as receivables and payables after the period, loan balances, and fixed assets amount. Additional auditing procedures were performed to ensure that balances were not materially misstated. We recommend that the City appropriately accrue receivables and payables, correct loan amounts to proper ending balances, and adjust fixed assets per detail schedules.

We agree with the audit finding. To resolve this, we have begun the process of reviewing our balance sheet line items to ensure they only hold balances that are up-to-date, accurate, and supported. In addition, greater scrutiny and emphasis are being placed upon the accounting practices and adjustments made within our accounting system. We believe it may be pertinent to note the Finance Director for the audit year 2021 is no longer with the City, and the new Director is seeking to get up to speed on these issues as quickly and as comprehensively as possible.

- *The following information pertaining to Lake Butler Community Redevelopment Agency*

(1) The total number of district employees compensated in the last pay period of the fiscal year.

Zero employees were compensated in this fund in the final pay period. We hold no employee expenses in this fund.

(2) The total number of independent contractors compensated in the last month of the fiscal year.

Zero contractors were compensated in the last month of fiscal year 2021 in this fund.

(3) All compensation paid or accrued to employees.

There was zero compensation paid out or accrued for employees in the Redevelopment Agency fund in the fiscal year.

(4) All compensation paid or accrued to independent contractors.

Total expenses paid to independent contractors was \$56,072.21 for fiscal year 2021.

(5) Each construction project with cost of at least \$65,000 approved by the district and scheduled to begin after October 1 of the reporting year and total expenditures of such project

Zero such projects occurred in the fiscal year.

(6) A budget variance report based on the budget adopted under Section 189.016(4) Florida Statutes, and the amended budget under Section 189.016(6), Florida Statutes.

This budget to actual report was provided to us by our auditors and is included in their audit report. We have also attached the report below.

**CITY OF LAKE BUTLER, FLORIDA
DOWNTOWN REDEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes | | | | |
| Advalorem taxes | \$ 51,000 | \$ 54,200 | \$ 53,899 | \$ (301) |
| Miscellaneous | | | | |
| Interest | 100 | 100 | 24 | (76) |
| Total revenues | <u>51,100</u> | <u>54,300</u> | <u>53,923</u> | <u>(377)</u> |
| EXPENDITURES | | | | |
| Economic environment | | | | |
| Operating expenses | 61,000 | 117,300 | 135,193 | 25,944 |
| | <u>61,000</u> | <u>117,300</u> | <u>135,193</u> | <u>25,944</u> |
| Excess of revenues over (under) expenditures | <u>(9,900)</u> | <u>(63,000)</u> | <u>(81,270)</u> | <u>(18,270)</u> |
| Net change in fund balances | (9,900) | (63,000) | (81,270) | (18,270) |
| Fund balance at beginning of year | <u>47,733</u> | <u>47,733</u> | <u>47,733</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 37,833</u> | <u>\$ (15,267)</u> | <u>\$ (33,537)</u> | <u>\$ (18,270)</u> |