

CITY OF LAKE BUTLER, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

**CITY OF LAKE BUTLER, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2025**

Introductory Section

Principal City Officials	1
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Financial Section

Independent Auditors' Report.....	2 - 4
Management's Discussion and Analysis.....	5 - 11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in Fund	
Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Position – Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds.....	20
Notes to Financial Statements.....	21 - 40
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual –	
General Fund.....	42
Redevelopment Fund	43
Note to Schedules of Revenues, Expenditures and Changes in Fund Balances –	
Budget and Actual.....	44
Schedule of Proportionate Share of Net Pension Liability – FRS/HIS	45
Schedule of Contributions – FRS/HIS	46
Combining Nonmajor Fund Financial Statements	
Combining Balance Sheet – Nonmajor Governmental Funds	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –	
Nonmajor Governmental Funds.....	48

Other Reports

Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	49 - 50
Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General	51 - 54
Independent Accountants' Examination Report	55
Management's Response to Findings	61

**CITY OF LAKE BUTLER, FLORIDA
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2025**

CITY COMMISSION

MELISSA HENDRIX
Mayor, Seat 4

RONDOLL L. HUGGINS
Vice Mayor, Seat 2

JOE STEPHENSON
Seat 1

ANNETTE REDMAN
Seat 3

FRED SIRMONES
Seat 5

CITY OFFICIALS

KIMBERLY HAYES
City Manager

JOHN E. MAINES
City Attorney

City officials in place as of financial statement date



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of 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 Butler, Florida (the City), as of and for the year ended September 30, 2025, 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 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof 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.

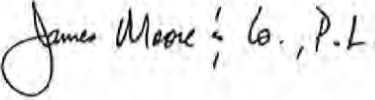
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2026, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

James Moore & Co., P.L.

Gainesville, Florida
June 16, 2026

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

The City of Lake Butler's (the City) discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements which follow this discussion.

Financial and Other Highlights

- The assets and deferred outflows of the City of Lake Butler exceeded its liabilities and deferred inflows on September 30, 2025, by \$10,975,757 (net position) for an increase of 15.46% over the prior year. Of this amount \$1,798,827 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,469,373 in fiscal year 2025, compared to an increase in net position of \$2,185,085 in fiscal year 2024. The year over year increase of \$746,404 is attributed primarily to an increase in charges for services for utilities in the current year.
- As of September 30, 2025, the City's governmental funds reported combined ending fund balances of \$961,982. This combined fund balance amount is an increase of \$158,570 from the prior year. Approximately 67.1% of this total amount, \$698,171, is available for spending at the City's discretion (unassigned/assigned fund balance).
- The City's notes and loans payable (consisting of revenue bonds and notes, loans from other governments, and financed purchases) decreased by \$312,556 (14.53 percent) during the current fiscal year. The City paid down outstanding loans and notes payable in the current year totaling \$96,678.

USING THIS ANNUAL REPORT

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, have a broader basis for comparison (year to year or government to government) and enhances the City's overall accountability.

This discussion and analysis is intended to serve as an introduction to the City of Lake Butler's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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 like a private-sector business. The focus is on activities, rather than fund types.

The Statement of Net Position presents information on all the City's assets, deferred inflows, liabilities and deferred outflows, with the difference between the two reported as net position. The focus of the Statement of Net Position (unrestricted net position) is designed to be like bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Government-Wide Financial Statements, (continued)

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Both 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 users' fees and charges (business-type activities). The governmental activities of the City include general government, public safety, roads, streets and parks and recreation. The business-type activity of the City consists of the public utilities system.

The government-wide financial statements include only the City of Lake Butler, which is known as the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the 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 the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statement presentations more familiar.

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 spending resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City'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 City'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 two (2) major individual governmental funds and three (3) nonmajor individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the three funds.

The City adopts an annual appropriated budget for its General Fund, as well as the Street and Community Redevelopment Agency Fund. Budgetary comparison statements have been provided for the major funds to demonstrate compliance or noncompliance with the budget.

Proprietary Funds

The City maintains three (4) proprietary fund types. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and garbage utility systems, as well as utility deposits. Historically, the activities of the different utility services have been accounted for in these four proprietary funds.

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following this discussion.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets (and deferred outflows of resources) exceeded liabilities (and deferred inflows of resources) by \$1,700,351, a decrease of \$1,219,457 over the prior year. See Note 12 to the financial statements for disclosure of restatement of fund balance and net position.

The following table reflects the condensed Statement of Net Position for the current year as compared to the prior year. For more detailed information see the Statement of Net Position.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	1,042,346	819,628	1,988,695	1,224,213	3,031,041	2,043,841
Capital assets	<u>1,208,973</u>	<u>1,286,974</u>	<u>9,357,179</u>	<u>8,653,677</u>	<u>10,566,152</u>	<u>9,940,651</u>
Total assets	2,251,319	2,106,602	11,345,874	9,877,890	13,597,193	11,984,492
Deferred Outflows of Resources	89,256	125,186	69,659	105,469	158,915	230,655
Liabilities:						
Long-term liabilities	345,016	455,164	1,493,738	1,704,186	1,838,754	2,159,350
Other liabilities	<u>80,364</u>	<u>16,216</u>	<u>656,641</u>	<u>422,541</u>	<u>737,005</u>	<u>438,757</u>
Total liabilities	425,380	471,380	2,150,379	2,126,727	2,575,759	2,598,107
Deferred Inflows of Resources	114,911	60,057	89,681	50,599	204,592	110,656
Net Position:						
Net Investment in Capital Assets	1,208,973	1,286,974	7,627,077	7,341,319	8,836,050	8,628,293
Restricted	263,811	-	77,069	80,841	340,880	80,841
Unrestricted	<u>327,500</u>	<u>413,377</u>	<u>1,471,327</u>	<u>383,873</u>	<u>1,798,827</u>	<u>797,250</u>
Total Net Position	<u>1,800,284</u>	<u>1,700,351</u>	<u>9,175,473</u>	<u>7,806,033</u>	<u>10,975,757</u>	<u>9,506,384</u>

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Net Position (continued)

Approximately 81% of the City's net position reflected above are invested in capital assets (e.g., land, buildings, improvements, and vehicles and equipment) less any related debt used to acquire those assets which are still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of September 30, 2025 and 2024, the City has reported positive balances in all three categories of net position: for the City as a whole, as well as for its separate governmental and business-type activities. Restricted net position was \$340,880 as of September 30, 2025, an increase of \$260,039 from the prior year.

Statement of Activities

The following table reflects the condensed Statement of Activities for the current year as compared to the prior year. For more detailed information see the Statement of Activities.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Charges for services	\$ 144,404	\$ 158,272	\$ 2,180,931	\$ 1,540,351	\$ 2,325,335	\$ 1,698,623
Operating Grants and Contributions	281,707	267,600	-	1,135,400	281,707	1,403,000
Capital Grants and Contributions	-	58,565	744,526	963,681	744,526	1,022,246
General revenues:						
Property taxes	187,817	173,163	-	-	187,817	173,163
Other taxes	380,604	528,489	-	-	380,604	528,489
Other	314,582	19,980	125,578	15,195	440,160	35,175
Total Revenues	1,309,114	1,206,069	3,051,035	3,654,627	4,360,149	4,860,696
Expenses:						
General Government	452,177	546,515	-	-	452,177	546,515
Public Safety	136,023	129,681	-	-	136,023	129,681
Physical environment	2,745	51,190	-	-	2,745	51,190
Transportation	262,777	325,733	-	-	262,777	325,733
Economic environment	5,889	3,143	-	-	5,889	3,143
Culture and Recreation	249,217	204,829	-	-	249,217	204,829
Human services	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-
Water	-	-	504,332	353,076	504,332	353,076
Wastewater	-	-	960,077	791,726	960,077	791,726
Solid waste	-	-	317,539	269,718	317,539	269,718
Total Expenses	1,108,828	1,261,091	1,781,948	1,414,520	2,890,776	2,675,611
Transfers	(100,353)	13,313	100,353	(13,313)	-	-
Change in Net Position	99,933	(41,709)	1,369,440	2,226,794	1,469,373	2,185,085
Net Position, Beginning of Year	1,700,351	1,742,060	7,806,033	5,579,239	9,506,384	7,321,299
Net Position, End of Year	\$ 1,800,284	\$ 1,700,351	\$ 9,175,473	\$ 7,806,033	\$ 10,975,757	\$ 9,506,384

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Statement of Activities (continued)

Governmental activities increased the City's net position by \$(99,933). Also, the City's total revenues increased by \$103,045 compared to the prior fiscal year.

Business-type activities

Business-type activities increased the City's net position by \$1,369,440. It would have been more, but the City incurred multiple grant related project expenses for fiscal year 2025.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances that are useable resources. Such information is useful in assessing the City's financing requirements. Unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2025, the City's governmental funds reported combined ending fund balances of \$1,085,146, an increase of \$803,412 in comparison with the prior fiscal year. Approximately 67% of this total amount, \$698,171, constitutes unassigned/assigned fund balances, which are available for spending at the City's discretion. The remainder of the fund balance, \$287,272, is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending because it has already been reserved for other purposes.

The General Fund is the chief operating fund of the City. At September 30, 2025, the unassigned fund balance of the General Fund was \$674,710 and the nonspendable fund balance was \$-. Assigned fund balance was \$23,461. Total fund balance in the General Fund increased by \$132,238 over the prior year.

The Street Fund is a nonmajor fund and is used to account for revenues and expenditures associated with the construction, improvement and maintenance of roads and streets in the City. The fund balance of the Street Fund increased by \$8,466 during the current fiscal year. The Street's restricted fund balance at September 30, 2025, was \$236,254.

The USDA Grant Fund is used to account for revenues and expenditures associated with the USDA Grant. The USDA Grant's fund balance at September 30, 2025, was \$-0-.

The SCOP Grant Fund is used to account for revenues and expenditures associated with the SCOP Grant. The SCOP Grant's restricted fund balance at September 30, 2025, was \$100.

The Community Redevelopment Agency is a special revenue fund and is used to account for the receipt and expenditure of property tax revenues from the tax increment financing district to support City redevelopment in the designated community redevelopment area. At September 30, 2025, the restricted fund balance was \$18,991.

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

Proprietary funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, just in more detail.

Unrestricted net position of the Water, Wastewater, and Solid Waste Funds at September 30, 2025, amounted to \$301,538, \$965,745, and \$204,044, respectively.

General Fund, Street, and CRA Budgetary Highlights

All three funds completed Fiscal Year 2025 with net change in fund balance of \$132,238, \$8,466, and \$17,866, respectively. There were budget amendments during the year in the General Fund decreasing overall expenditures, totaling \$7,166. There were budget amendments to the Community Redevelopment Agency Fund decreasing expenditures \$2,106.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2025, amounts to \$10,566,152 (net of accumulated depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements, and machinery and equipment.

Major capital assets added during the current fiscal year included the following:

- The City incurred construction costs totaling \$898,916 relating to business-type activities.

Capital assets for governmental activities and business-type activities consisted of the following as of September 30, 2025 and 2024:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Capital Assets Not Being Depreciated:						
Land	\$ 84,551	\$ 84,551	\$ 1,189,877	\$ 1,189,877	\$ 1,274,428	\$ 1,274,428
Construction in progress	-	-	6,251,980	5,518,476	6,251,980	5,518,476
Capital Assets Being Depreciated:						
Infrastructure	-	-	-	-	-	-
Buildings	2,962,761	2,962,761	135,000	135,000	3,097,761	3,097,761
Improvements	15,500,516	15,500,516	6,882,743	6,882,743	22,383,259	22,383,259
Machinery and equipment	340,965	340,965	1,015,172	849,760	1,356,137	1,190,725
Less: Accumulated Depreciation	(17,679,820)	(17,601,819)	(6,117,593)	(5,922,179)	(23,797,413)	(23,523,998)
Total	\$ 1,208,973	\$ 1,286,974	\$ 9,357,179	\$ 8,653,677	\$ 10,566,152	\$ 9,940,651

Additional information on the City's capital assets can be found in the Notes to the Financial Statements in this report.

**CITY OF LAKE BUTLER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (continued)

Long-term debt

At the end of the current fiscal year, the City had a total long-term liabilities of \$1,838,754, which consisted of \$345,016 and \$1,493,738 in governmental activities and business-type activities, respectively.

A summary of long-term debt obligations of the City follows:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Compensated Absences	\$ 16,301	\$ 17,105	\$ 21,518	\$ 14,724	\$ 37,819	\$ 31,829
Financed Purchases	-	-	-	36,345	-	36,345
Notes Payable	-	-	1,215,680	1,276,013	1,215,680	1,276,013
Net Pension Liability	328,715	438,059	256,540	369,064	585,255	807,123
Total	\$ 345,016	\$ 455,164	\$ 1,493,738	\$ 1,696,146	\$ 1,838,754	\$ 2,151,310

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements in this report.

Economic Environment and Next Year's Budget and Rates

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

Currently Known Facts, Conditions, or Decisions

The City is anticipating entering into grant and loan agreements for various purposes in fiscal year 2025 and beyond. More significant grant or debt funded projects consist of the following:

- The City plans to replace the 50 year old Sewer Treatment Plant and sewer collection system through a grant / loan from the DEP and Florida State Revolving Fund program beginning in FY 2024. The DEP wastewater treatment facility grant is estimated at \$38 million and is being funded primarily through SRF loans and State DEP grants.
- The City of Lake Butler successfully negotiated & executed Amendment No. 5 to the DOC WW Services Agreement which significantly increased the wastewater revenues received from the Department of Corrections in FY2024-2025.
- The City began the Ground Storage Tank Rehabilitation Project with DEP Agreement No. LPA0314, and were awarded \$2.8 million in August 2025 for Wastewater Infrastructure Improvements (CDBG H2613 #26DB-N10), and was also awarded an additional \$4.2 million dollars in July 2025 for sewer collection system improvements (CDBG MIT118).

Requests for information

This financial report is designed to provide a general overview of the City of Lake Butler's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City, 200 SW 1st Street, Lake Butler, FL 32054.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 816,196	\$ 1,110,851	\$ 1,927,047
Certificate of deposit	-	110,382	110,382
Receivables, net	39,398	187,913	227,311
Internal balances	105,046	(105,046)	-
Due from other governments, net	81,706	480,793	562,499
Inventories	-	28,479	28,479
Restricted cash	-	175,323	175,323
Capital assets:			
Capital assets, not being depreciated	84,551	7,441,857	7,526,408
Other capital assets, net of depreciation	1,124,422	1,915,322	3,039,744
Total assets	<u>\$ 2,251,319</u>	<u>\$ 11,345,874</u>	<u>\$ 13,597,193</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	\$ 89,256	\$ 69,659	\$ 158,915
Total deferred outflows	<u>\$ 89,256</u>	<u>\$ 69,659</u>	<u>\$ 158,915</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 80,364	\$ 558,387	\$ 638,751
Customer deposits	-	98,254	98,254
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	70,998	70,998
Compensated absences	2,574	3,227	5,801
Due in more than one year:			
Bonds and notes payable	-	1,144,682	1,144,682
Compensated absences	13,727	18,291	32,018
Net pension liability	328,715	256,540	585,255
Total liabilities	<u>\$ 425,380</u>	<u>\$ 2,150,379</u>	<u>\$ 2,575,759</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 114,911	\$ 89,681	\$ 204,592
Total deferred inflows of resources	<u>\$ 114,911</u>	<u>\$ 89,681</u>	<u>\$ 204,592</u>
NET POSITION			
Net investment in capital assets	\$ 1,208,973	\$ 7,627,077	\$ 8,836,050
Restricted for:			
Redevelopment	18,991	-	18,991
Grants	100	-	100
Debt service	-	6,586	6,586
Renewal and replacement	-	70,483	70,483
Transportation	244,720	-	244,720
Unrestricted	327,500	1,471,327	1,798,827
Total net position	<u>\$ 1,800,284</u>	<u>\$ 9,175,473</u>	<u>\$ 10,975,757</u>

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

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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	\$ 452,177	\$ 43,619	\$ 25,255	\$ -	\$ (383,303)	\$ -	\$ (383,303)
Public safety	136,023	5,447	-	-	(130,576)	-	(130,576)
Physical environment	2,745	63	-	-	(2,682)	-	(2,682)
Transportation	262,777	95,275	256,452	-	88,950	-	88,950
Economic environment	5,889	-	-	-	(5,889)	-	(5,889)
Culture and recreation	249,217	-	-	-	(249,217)	-	(249,217)
Total governmental activities	<u>1,108,828</u>	<u>144,404</u>	<u>281,707</u>	<u>-</u>	<u>(682,717)</u>	<u>-</u>	<u>(682,717)</u>
Business-type activities:							
Water	504,332	405,550	-	433,579	-	334,797	334,797
Wastewater	960,077	1,409,498	-	310,947	-	760,368	760,368
Solid Waste	317,539	365,883	-	-	-	48,344	48,344
Total business-type activities	<u>1,781,948</u>	<u>2,180,931</u>	<u>-</u>	<u>744,526</u>	<u>-</u>	<u>1,143,509</u>	<u>1,143,509</u>
Total primary government	<u>\$ 2,890,776</u>	<u>\$ 2,325,335</u>	<u>\$ 281,707</u>	<u>\$ 744,526</u>	<u>(682,717)</u>	<u>1,143,509</u>	<u>460,792</u>
General revenues:							
Property taxes					187,817	-	187,817
Sales taxes					224,322	-	224,322
Communications service tax					104,406	-	104,406
Public service taxes					51,876	-	51,876
Franchise fees					167,928	-	167,928
Investment earnings					1,781	3,513	5,294
Miscellaneous revenues					144,873	122,065	266,938
Transfers					(100,353)	100,353	-
Total general revenues and transfers					<u>782,650</u>	<u>225,931</u>	<u>1,008,581</u>
Change in net position					99,933	1,369,440	1,469,373
Net position, beginning of year					1,700,351	7,806,033	9,506,384
Net position, ending of year					<u>\$ 1,800,284</u>	<u>\$ 9,175,473</u>	<u>\$ 10,975,757</u>

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

**CITY OF LAKE BUTLER, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	<u>General</u>	<u>Redevelopment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 552,285	\$ 18,991	\$ 244,920	\$ 816,196
Receivables, net	39,398	-	-	39,398
Due from other governments, net	81,706	-	-	81,706
Due from other funds	105,246	-	42,600	147,846
Total assets	<u>\$ 778,635</u>	<u>\$ 18,991</u>	<u>\$ 287,520</u>	<u>\$ 1,085,146</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 80,364	\$ -	\$ -	\$ 80,364
Due to other funds	100	-	42,700	42,800
Total liabilities	<u>80,464</u>	<u>-</u>	<u>42,700</u>	<u>123,164</u>
FUND BALANCES				
Restricted for:				
Grants	-	-	100	100
Redevelopment	-	18,991	-	18,991
Transportation	-	-	244,720	244,720
Assigned to:				
Subsequent year's budget	23,461	-	-	23,461
Unassigned	674,710	-	-	674,710
Total fund balances	<u>698,171</u>	<u>18,991</u>	<u>244,820</u>	<u>961,982</u>
Total liabilities and fund balances	<u>\$ 778,635</u>	<u>\$ 18,991</u>	<u>\$ 287,520</u>	<u>\$ 1,085,146</u>

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

CITY OF LAKE BUTLER, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Fund balances - total governmental funds		\$ 961,982
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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	18,888,793	
Less: accumulated depreciation	<u>(17,679,820)</u>	1,208,973

On the governmental fund statements, a net pension liability 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 of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(328,715)	
Deferred outflows related to pensions	89,256	
Deferred inflows related to pensions	<u>(114,911)</u>	(354,370)

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:

Compensated absences	<u>(16,301)</u>	(16,301)
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Net position of governmental activities		<u><u>\$ 1,800,284</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Redevelopment Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 687,156	\$ 28,255	\$ -	\$ 715,411
Permits and fees	175,128	-	-	175,128
Intergovernmental	236,805	-	108,700	345,505
Charges for services	35,091	-	-	35,091
Investment income	1,652	10	119	1,781
Miscellaneous	36,198	-	-	36,198
Total revenues	<u>1,172,030</u>	<u>28,265</u>	<u>108,819</u>	<u>1,309,114</u>
Expenditures				
Current:				
General government	455,247	-	-	455,247
Public safety	121,651	-	-	121,651
Physical environment	2,745	-	-	2,745
Transportation	247,993	-	-	247,993
Economic environment	5,126	-	-	5,126
Culture and recreation	207,030	10,399	-	217,429
Total expenditures	<u>1,039,792</u>	<u>10,399</u>	<u>-</u>	<u>1,050,191</u>
Excess (deficiency) of revenues over expenditures	<u>132,238</u>	<u>17,866</u>	<u>108,819</u>	<u>258,923</u>
Other financing sources (uses)				
Transfers in	-	-	8,347	8,347
Transfers out	-	-	(108,700)	(108,700)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(100,353)</u>	<u>(100,353)</u>
Net change in fund balances	<u>132,238</u>	<u>17,866</u>	<u>8,466</u>	<u>158,570</u>
Fund balances, beginning of year	565,933	1,125	236,354	803,412
Fund balances, end of year	<u>\$ 698,171</u>	<u>\$ 18,991</u>	<u>\$ 244,820</u>	<u>\$ 961,982</u>

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

CITY OF LAKE BUTLER, 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, 2025

Net change in fund balances - total governmental funds	\$ 158,570
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.	
Depreciation expense	(78,001)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	18,560
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	804
Change in net position of governmental activities	<u>\$ 99,933</u>

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

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2025

	Business-type Activities				
	Water	Wastewater	Solid Waste	Nonmajor Utility Deposits	Total
ASSETS					
Cash and cash equivalents	\$ 166,936	\$ 708,053	\$ 235,862	\$ -	\$ 1,110,851
Certificate of deposit	-	110,382	-	-	110,382
Accounts receivable, net	29,704	122,210	35,999	-	187,913
Due from other governments, net	237,146	243,647	-	-	480,793
Inventories	-	28,479	-	-	28,479
Due from other funds	-	42,700	-	-	42,700
Restricted cash	4,682	2,099	-	98,059	104,840
Total current assets	438,468	1,257,570	271,861	98,059	2,065,958
Noncurrent assets:					
Restricted cash	-	70,483	-	-	70,483
Restricted certificate of deposit	-	-	-	-	-
Capital assets:					
Land	-	1,189,877	-	-	1,189,877
Construction in progress	524,647	5,727,333	-	-	6,251,980
Buildings	30,000	105,000	-	-	135,000
Improvements	2,796,825	4,085,918	-	-	6,882,743
Equipment	81,692	933,480	-	-	1,015,172
Accumulated depreciation	(1,780,958)	(4,336,635)	-	-	(6,117,593)
Total capital assets, net	1,652,206	7,704,973	-	-	9,357,179
Advances to other funds	-	-	-	-	-
Total noncurrent assets	1,652,206	7,775,456	-	-	9,427,662
Total assets	\$ 2,090,674	\$ 9,033,026	\$ 271,861	\$ 98,059	\$ 11,493,620
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	\$ 25,390	\$ 36,931	\$ 7,338	\$ -	\$ 69,659
Total deferred outflows of resources	\$ 25,390	\$ 36,931	\$ 7,338	\$ -	\$ 69,659
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 272,539	\$ 283,754	\$ 2,094	\$ -	\$ 558,387
Deposits	-	195	-	98,059	98,254
Due to other funds	12,920	102,730	32,096	-	147,746
Compensated absences	712	1,841	674	-	3,227
Current portion of long-term debt	11,634	20,364	-	-	31,998
Payable from restricted assets:					
Current maturities on long-term debt	-	39,000	-	-	39,000
Total current liabilities	297,805	447,884	34,864	98,059	878,612
Noncurrent liabilities:					
Bonds and notes payable, net	197,312	947,370	-	-	1,144,682
Compensated absences	4,036	10,434	3,821	-	18,291
Net pension liability	93,508	136,009	27,023	-	256,540
Total noncurrent liabilities	294,856	1,093,813	30,844	-	1,419,513
Total liabilities	\$ 592,661	\$ 1,541,697	\$ 65,708	\$ 98,059	\$ 2,298,125
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	\$ 32,688	\$ 47,546	\$ 9,447	\$ -	\$ 89,681
Total deferred inflows of resources	\$ 32,688	\$ 47,546	\$ 9,447	\$ -	\$ 89,681
NET POSITION					
Net investment in capital assets	\$ 1,184,495	\$ 6,442,582	\$ -	\$ -	\$ 7,627,077
Restricted for debt service	4,682	1,904	-	-	6,586
Restricted for renewal and replacement	-	70,483	-	-	70,483
Unrestricted	301,538	965,745	204,044	-	1,471,327
Total net position	\$ 1,490,715	\$ 7,480,714	\$ 204,044	\$ -	\$ 9,175,473

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

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities				Total
	Water	Wastewater	Solid Waste	Nonmajor Utility Deposits	
Operating revenues					
Charges for services	\$ 405,550	\$ 1,409,498	\$ 365,883	\$ -	\$ 2,180,931
Other revenues	103,639	18,426	-	-	122,065
Total operating revenues	509,189	1,427,924	365,883	-	2,302,996
Operating expenses					
Personal services	191,160	285,834	65,027	-	542,021
Operating expenses	254,793	504,079	252,512	-	1,011,384
Depreciation	56,304	139,110	-	-	195,414
Total operating expenses	502,257	929,023	317,539	-	1,748,819
Operating income (loss)	6,932	498,901	48,344	-	554,177
Nonoperating revenues (expenses)					
Interest earnings	-	3,513	-	-	3,513
Interest expense	(2,075)	(31,054)	-	-	(33,129)
Total nonoperating revenues (expenses)	(2,075)	(27,541)	-	-	(29,616)
Income (loss) before contributions and transfers	4,857	471,360	48,344	-	524,561
Capital grants	433,579	310,947	-	-	744,526
Transfers in	-	108,700	-	-	108,700
Transfers out	-	-	(8,347)	-	(8,347)
Change in net position	438,436	891,007	39,997	-	1,369,440
Net position, beginning of year	1,052,279	6,589,707	164,047	-	7,806,033
Net position, end of year	<u>\$ 1,490,715</u>	<u>\$ 7,480,714</u>	<u>\$ 204,044</u>	<u>\$ -</u>	<u>\$ 9,175,473</u>

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

CITY OF LAKE BUTLER, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Business-type Activities				
	Water	Wastewater	Solid Waste	Utility Deposits	Total
Cash flows from operating activities					
Cash received from customers	\$ 332,343	\$ 1,388,871	\$ 358,440	\$ 9,687	\$ 2,089,341
Cash paid to employees	(214,198)	(293,599)	(73,102)	-	(580,899)
Cash paid to suppliers	(39,989)	(503,589)	(267,641)	-	(811,219)
Net cash provided by (used in) operating activities	78,156	591,683	17,697	9,687	697,223
Cash flows from noncapital financing activities					
Transfers from other funds	-	108,700	-	150	108,850
Transfers to other funds	-	-	(8,347)	-	(8,347)
Interfund loans	21,471	145,761	66,905	-	234,137
Net cash provided by (used in) noncapital financing activities	21,471	254,461	58,558	150	334,640
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(455,147)	(443,769)	-	-	(898,916)
Capital grants	433,579	310,947	-	-	744,526
Principal payments of long-term debt	(11,453)	(85,225)	-	-	(96,678)
Interest paid	(2,075)	(34,316)	-	-	(36,391)
Net cash provided by (used in) capital and related financing activities	(35,096)	(252,363)	-	-	(287,459)
Cash flows from investing activities					
Interest received	-	3,513	-	-	3,513
Net cash provided by (used in) investing activities	-	3,513	-	-	3,513
Net change in cash and cash equivalents	64,531	597,294	76,255	9,837	747,917
Cash and cash equivalents, beginning of year	107,087	183,341	159,607	88,222	538,257
Cash and cash equivalents, end of year	<u>\$ 171,618</u>	<u>\$ 780,635</u>	<u>\$ 235,862</u>	<u>\$ 98,059</u>	<u>\$ 1,286,174</u>
Cash and cash equivalents classified as:					
Unrestricted	\$ 166,936	\$ 708,053	\$ 235,862	\$ -	\$ 1,110,851
Restricted	4,682	72,582	-	98,059	175,323
Total cash and cash equivalents	<u>\$ 171,618</u>	<u>\$ 780,635</u>	<u>\$ 235,862</u>	<u>\$ 98,059</u>	<u>\$ 1,286,174</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 6,932	\$ 498,901	\$ 48,344	\$ -	\$ 554,177
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	56,304	139,110	-	-	195,414
Changes in assets and liabilities:					
Accounts receivable	7,481	(31,891)	(4,808)	-	(29,218)
Due from other governments	(182,646)	(7,247)	-	-	(189,893)
Inventories	-	(28,479)	-	-	(28,479)
Accounts payable and accrued liabilities	214,804	28,969	(15,129)	-	228,644
Deposits	-	85	-	9,687	9,772
Unearned revenue	(1,681)	-	(2,635)	-	(4,316)
Compensated absences	(2,594)	(767)	2,115	-	(1,246)
Net pension liability	(20,444)	(6,998)	(10,190)	-	(37,632)
Net cash provided by (used in) operating activities	<u>\$ 78,156</u>	<u>\$ 591,683</u>	<u>\$ 17,697</u>	<u>\$ 9,687</u>	<u>\$ 697,223</u>

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

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(1) Summary of Significant Accounting Policies:

The financial statements of the City of Lake Butler, 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 of Lake Butler, Florida is a municipality created under Chapter 5507, *Laws of Florida*, 1905, and is governed by a five-member City Commission, all of whom are individually elected, who select from among themselves one member to serve as Mayor.

(b) **Blended component units**—The financial activity of The City of Lake Butler Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established for the fostering of economic development within the downtown district under City Ordinance. The governing board in the City Commission which also establishes the Agency's annual budget. The Agency is presented as a special revenue fund type.

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. 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

(d) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, other intergovernmental revenues, charges for services, 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, certain expenditures relating to future periods, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund—The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

Downtown Redevelopment Fund—This fund is used to account for tax increment and other revenues associated with the City's Community Redevelopment Agency and the expenditures of these funds in the redevelopment district.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

The City reports the following major proprietary funds:

Water Fund—The Water Fund is used to account for the revenues, expenses, and related activities associated with the City's operated water services.

Wastewater Fund— The Wastewater Fund is used to account for the revenues, expenses, and related activities associated with the City's sewer services.

Solid Waste Fund— The Solid Waste Fund is used to account for the revenues, expenses, and related activities associated with the City's solid waste disposal service.

Additionally, the City reports the following nonmajor governmental and nonmajor proprietary funds:

Street Improvement Fund—This fund is used to account for expenditures associated with the City's street paving program.

SCOP Grant Fund—This fund is used to account for the revenues, expenses, and related activities associated with grant funds.

USDA Grant Fund—This fund is used to account for the revenues, expenses, and related activities associated with grant funds.

Utility Deposits Fund—This fund is used to account for restricted cash held by the City for utility deposits collected.

As a general rule, the effect of the City's interfund activity has been eliminated from the government-wide financial statements, though interfund services provided and used are not eliminated in the process of consolidation.

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, interest revenue, and other miscellaneous revenues.

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 are charges to customers for sales and services. Operating expenses for enterprise 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.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

(e) **Budgets and budgetary accounting**—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal yearend. The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

(f) **Certificates of deposits**—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.

Certificates of deposit are recorded at cost, which approximates fair value. CDs with original maturities of three months or less are classified as cash equivalents; those with longer maturities are reported as investments. All CDs are either insured by the FDIC or collateralized in accordance with state law and the City's investment policy.

(g) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage improvements, 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 \$2,000 with an initial life of two or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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 asset lives are not capitalized, but charged to operating expense as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40 years
Machinery and equipment	5 – 10 years
Infrastructure	20 – 40 years

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

(h) **Compensated absences**— It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Liabilities for compensated absences are recognized for leave that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled. Accordingly, the City records a liability for accumulated vacation leave and eligible sick leave based on the provisions of its leave policies and historical usage patterns. Compensated absence liabilities are measured using pay rates in effect as of the financial statement date and include applicable salary-related payments, as required by GASB Statement No. 101.

The enterprise funds report the entire compensated absences liability in both the government-wide and proprietary fund financial statements because these liabilities are recognized as employees earn the leave benefits. In the governmental activities of the government-wide financial statements, the General Fund likewise reports the entire compensated absences liability. In the governmental fund financial statements, however, only amounts that are due and payable as of the fiscal year-end are reported as liabilities; the remainder is reported in the government-wide financial statements. The City estimates that approximately 15 percent of the compensated absences liability is expected to be liquidated within one year. Compensated absences liabilities are recognized and measured in accordance with GASB Statement No. 101, *Compensated Absences*.

(i) **Long-term obligations**—In the government-wide financial statements, and proprietary fund types 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 type statement of net position.

(j) **Deferred outflows/inflows of resources**— In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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. Currently, the only items in this category consisted of deferred amounts related to pension, as discussed further in Note (11).

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 pensions, as discussed further in Note (11).

(k) **Impact fees**—No authorized impact fee was in effect for fiscal year 2025.

(l) **Fund balance**—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 – amounts not available to be spent or not in spendable form, such as inventory and prepaid items.

Restricted – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes based on actions taken by the Board City Commission through ordinance.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by City Commission or by an official or body which the City Commission delegates authority.

Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The fund balance policy adopted by the City Commission establishes expectations with respect to several aspects of managing and utilizing fund balances:

1. The City shall maintain a general fund balance of no less than three months of regular general fund operating expenditures, or 25%.
2. If the general fund balance falls below the minimum amount, then the City will budget to replenish the fund balance over a two-year period.

(m) **Fund balance flow assumption**—When both restricted and unrestricted resources are available for use, it is the City's policy 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 policy to use committed resources first, then assigned, and then unassigned, as needed.

(n) **Net position flow assumption**—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

(o) **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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(p) **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.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

(q) **Property taxes**— Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

(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.

(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) **Deposits and Investments:**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All of the bank balance is covered by Federal depository insurance or by collateral held by the City's custodial banks, which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits 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.

The City had one certificate of deposit as of September 30, 2025, consisting of \$110,382 in the Wastewater Fund, which matures in March 2027.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(3) Deposits and Investments: (Continued)

The investment policy is designed to address the following risk factors:

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 City's investment policy provides for this risk by requiring a maximum maturity of one year with respect to certificates of deposit and 5 years for securities.

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to fulfill its obligations. The City's portfolio is held entirely with public depositories.

The City invests only in certificate of deposits and local government investment pools with the highest credit quality ratings.

Concentration of Credit Risk: Concentration risk refers to the risk of loss resulting from over-exposure to a specific security or asset class. The City's investment policy addresses concentration risk by requiring maximum allocations to specific investment sectors and issuers.

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.

(4) Accounts Receivable:

The City's receivables consisted of the following at September 30, 2025:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund	\$ 39,398	\$ -	\$ 39,398
Business-Type Activities:			
Water Fund	29,863	(159)	29,704
Wastewater Fund	122,355	(145)	122,210
Solid Waste Fund	36,380	(381)	35,999
Totals – Business-Type Activities	<u>188,598</u>	<u>(685)</u>	<u>187,913</u>
Totals	<u>\$ 227,996</u>	<u>\$ (685)</u>	<u>\$ 227,311</u>

In addition to accounts receivable, the City also recorded \$562,499 in due from other governments at September 30, 2025.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(5) Interfund Balances 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. At September 30, 2025, individual fund balances to and from other funds for the primary government were comprised of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund:		
Water Fund	\$ 12,920	\$ -
Wastewater Fund	60,230	-
Solid Waste Fund	32,096	-
USDA Grant Fund	-	100
Business-Type Activities:		
Water Fund:		
General Fund	-	12,920
Wastewater Fund:		
General Fund	-	25,630
USDA Grant Fund	42,700	42,500
Wastewater Fund	-	34,600
USDA Grant Fund:		
General Fund	100	-
Wastewater Fund	42,500	42,700
Solid Waste Fund:		
General Fund	-	32,096
Totals - All Funds	<u>\$ 190,546</u>	<u>\$ 190,546</u>
	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities:		
Street Fund:		
Solid Waste Fund	\$ 8,347	\$ -
Business-Type Activities:		
Wastewater Fund:		
USDA Grant Fund	108,700	-
USDA Grant Fund:		
Wastewater Fund	-	108,700
Solid Waste Fund:		
Street Fund	-	8,347
Totals - All Funds	<u>\$ 117,047</u>	<u>\$ 117,047</u>

Transfers from the USDA Grant Fund to the Wastewater Fund is to transfer grant reimbursements to cover grant expenses paid for by the Wastewater Fund. Transfers from the Street Fund to the Solid Waste Fund are to cover road repairs expensed by the Solid Waste Fund.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2025, is as follows:

Governmental activities:	Balance 09/30/24	Increases	Decreases	Balance 09/30/25
Capital assets not being depreciated:				
Land	\$ 84,551	\$ -	\$ -	\$ 84,551
Construction in progress	-	-	-	-
Total assets not being depreciated	84,551	-	-	84,551
Capital assets being depreciated:				
Buildings	2,962,761	-	-	2,962,761
Improvements	15,500,516	-	-	15,500,516
Equipment	340,965	-	-	340,965
Total assets being depreciated	18,804,242	-	-	18,804,242
Less: accumulated depreciation	(17,601,819)	(78,001)	-	(17,679,820)
Total capital assets being depreciated, net	1,202,423	(78,001)	-	1,124,422
Governmental activities capital assets, net	<u>\$ 1,286,974</u>	<u>\$ (78,001)</u>	<u>\$ -</u>	<u>\$ 1,208,973</u>
Business-type activities:				
	Balance 09/30/24	Increases	Decreases	Balance 09/30/25
Capital assets not being depreciated:				
Land	\$ 1,189,877	\$ -	\$ -	\$ 1,189,877
Construction in progress	5,518,476	733,504	-	6,251,980
Total assets not being depreciated	6,708,353	733,504	-	7,441,857
Capital assets being depreciated:				
Buildings	135,000	-	-	135,000
Improvements	6,882,743	-	-	6,882,743
Equipment	849,760	165,412	-	1,015,172
Total assets being depreciated	7,867,503	165,412	-	8,032,915
Less: accumulated depreciation	(5,922,179)	(195,414)	-	(6,117,593)
Total capital assets being depreciated, net	1,945,324	(30,002)	-	1,915,322
Business-type activities capital assets, net	<u>\$ 8,653,677</u>	<u>\$ 703,502</u>	<u>\$ -</u>	<u>\$ 9,357,179</u>

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(6) Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	\$	16,294
Public safety		14,372
Transportation		14,784
Culture and recreation		31,788
Economic environment		763
Total depreciation expense - governmental activities	\$	<u>78,001</u>
Business-type activities:		
Water	\$	56,304
Sewer		139,110
Total depreciation expense - business-type activities	\$	<u>195,414</u>

(7) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences, net	\$ 17,105	\$ -	\$ (804)	\$ 16,301	\$ 2,574
Total long-term liabilities	<u>\$ 17,105</u>	<u>\$ -</u>	<u>\$ (804)</u>	<u>\$ 16,301</u>	<u>\$ 2,574</u>
	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	\$ 643,000	\$ -	\$ (38,000)	\$ 605,000	\$ 39,000
Loans from other governments	633,013	-	(22,333)	610,680	31,998
Note payable	36,345	-	(36,346)	-	-
Compensated absences, net	22,764	-	(1,246)	21,518	3,227
Total long-term liabilities	<u>\$ 1,335,122</u>	<u>\$ -</u>	<u>\$ (97,925)</u>	<u>\$ 1,237,198</u>	<u>\$ 74,225</u>

*The change in compensated absences liability is presented as a net of change.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Bonds payable in the City's business-type activities at September 30, 2025, were comprised of the following obligations:

Water and Sewer Revenue Bond, Series 1998: Issued on September 1, 1998 in the amount of \$1,200,000 to finance a part of the cost of acquiring, erecting and constructing extensions and improvements to the combined municipal water and sewer system. Serial bond with interest rate of 4.50% payable annually on September 1, due in annual principal installments from \$13,000 to \$62,000 from September 1, 2000 to September 1, 2037. Secured by a lien upon and a pledge of the gross revenues to be derived from the operation of the facilities and certain municipal excise taxes.

Annual debt service requirements to maturity for the City's business-type activities bonds, and notes payable, are as follows:

Year Ending September 30,	Business-type Activities		Total
	Revenue Bonds and Notes		
	Principal	Interest	
2026	\$ 39,000	\$ 27,225	\$ 66,225
2027	41,000	25,470	66,470
2028	43,000	23,625	66,625
2029	45,000	21,690	66,690
2030	47,000	19,665	66,665
2031-2035	267,000	64,755	331,755
2036-2040	123,000	8,325	131,325
	<u>\$ 605,000</u>	<u>\$ 190,755</u>	<u>\$ 795,755</u>

Governmental loans in the City's business-type activities at September 30, 2025, were comprised of the following obligations:

State Revolving Fund Loan (DW630110): The City was approved for a pre-construction SRF loan in 2018 from the Florida Department of Environmental Protection for \$103,400. The proceeds were used for engineering studies related to the wastewater treatment plant. The loan is collateralized by a subordinate lien on net revenues of the sewer utility fund.

State Revolving Fund Loan (DW630111): The City was approved by the Florida Department of Environmental Protection for \$202,740 for drinking water construction projects. The loan is repayable in 60 semi-annual payments of \$3,912 at an interest rate of .85%.

Clean Water SRF Loan (CW630100): The City was approved by the Florida Department of Environmental Protection for a loan in the amount of \$1,543,000 for clean water projects. The loan agreement promises \$1,135,400 in loan forgiveness, which was applied in 2024. The remaining loan amount to be repaid totals \$411,300, which includes \$3,700 of capitalized interest. The loan is payable in 40 semiannual payments of \$11,339 at an interest rate of 0.62% beginning on February 15, 2024 and semiannually thereafter on August 15 and February 15 of each year until all amounts due have been fully paid.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Annual debt service requirements to maturity for the City's business-type activities bonds, and notes payable, are as follows:

Year Ending September 30,	Governmental Loans		Total
	Principal	Interest	
2026	\$ 31,998	\$ 4,420	\$ 36,418
2027	32,262	4,156	36,418
2028	32,531	3,887	36,418
2029	32,799	3,619	36,418
2030	32,714	3,347	36,061
2031-2035	139,605	13,615	153,220
2036-2040	144,386	8,834	153,220
2041-2045	118,852	3,943	122,795
2046-2050	37,786	1,219	39,005
2051	7,747	50	7,797
	<u>\$ 610,680</u>	<u>\$ 47,090</u>	<u>\$ 657,770</u>

Covenants

Net Revenues, which shall be adequate at all times to pay in each fiscal year at least 115% of the annual debt service requirement for the Outstanding Bonds and any Additional Parity Bonds hereafter issued for the then current fiscal year.

The City was in compliance with all bond covenants as of September 30, 2025.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(8) Note Payable:

The City has entered into a note payable with a financial institution for a tractor, collateralized by one certificate of deposit totaling \$150,512. The imputed interest rate on the lease is 4.00%. Future minimum note payable payments are as follows:

Year Ending September 30,	Business-type Activities		Total
	Financed Purchases		
	Principal	Interest	
2026	\$ 15,922	\$ 860	\$ 16,782
	\$ 15,922	\$ 860	\$ 16,782

(9) Contingencies and Uncertainties:

The City is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the City cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the City.

(10) 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.

**CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

(11) Employees' Retirement Plans:

Florida Retirement System and Health Insurance Subsidy

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 BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

(11) Employees' Retirement Plans: (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). 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
P.O. Box 9000
Tallahassee, FL 32315-9000
850-907-6500 or toll free at 844-377-1888

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(11) **Employees' Retirement Plans:** (Continued)

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, 2025, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2025</u>	<u>After June 30, 2025</u>
Regular Class	13.63%	14.03%
Senior Management	34.52%	33.24%
Special Risk	32.79%	35.19%

Current-year employer HIS contributions were made at a rate of 2.00% of covered payroll, which are included in the above rates.

For the plan year ended June 30, 2025, actual contributions made for employees participating in FRS and HIS were as follows:

City Contributions – FRS	\$ 75,871
City Contributions – HIS	13,311
Employee Contributions – FRS	19,966

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

At September 30, 2025, the City reported a liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 394,369
HIS	190,886
Total	<u>\$ 585,255</u>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The entity's proportion of the net pension liability was based on a projection of the 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, 2025 and June 30, 2024, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2025</u>	<u>2024</u>
FRS	0.001270719%	0.001473169%
HIS	0.001489269%	0.001581447%

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(11) **Employees' Retirement Plans:** (Continued)

For the year ended June 30, 2025, pension expense was recognized related to the FRS and HIS plans as follows:

<u>Plan</u>	<u>Pension Expense</u>
FRS	\$ 35,702
HIS	691
Total	<u>\$ 36,393</u>

Deferred outflows/inflows related to pensions:

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,123	\$ -	\$ 1,139	\$ (303)
Changes of assumptions	45,797	-	1,690	(46,170)
Net difference between projected and actual investment earnings	-	(65,844)	-	(159)
Change in proportionate share	26,343	(61,597)	14,005	(30,519)
Contributions subsequent to measurement date	23,689	-	4,129	-
Total	<u>\$ 137,952</u>	<u>\$ (127,441)</u>	<u>\$ 20,963</u>	<u>\$ (77,151)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. 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:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
2026	\$ 63,387	\$ (12,464)	\$ 50,923
2027	(19,735)	(12,533)	(32,268)
2028	(32,724)	(13,376)	(46,100)
2029	(24,106)	(13,802)	(37,908)
2030	-	(8,142)	(8,142)
Thereafter	-	-	-
	<u>\$ (13,178)</u>	<u>\$ (60,317)</u>	<u>\$ (73,495)</u>

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 2025 for the period July 1, 2018, through June 30, 2023. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(11) Employees' Retirement Plans: (Continued)

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 3.50%. 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 5.20% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.93%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2021.

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 2025, 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.2%
Fixed income	29.0%	5.5%
Global equities	45.0%	8.5%
Real estate	12.0%	8.4%
Private equity	11.0%	12.4%
Strategic investments	2.0%	6.5%
Total	<u>100.0%</u>	

CITY OF LAKE BUTLER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

(11) Employees' Retirement Plans: (Continued)

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%	\$ 773,944	\$ 394,369	\$ 76,140
HIS	3.93%	215,255	190,886	170,449

The City does not provide other postemployment benefits (OPEB) as defined under GASB Statement No. 75. Instead of offering a retiree health insurance plan, the City provides active employees with a health insurance stipend in lieu of direct coverage.

(12) 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 subsequent fiscal years 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. 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.
- (b) GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB Statement No. 104 requires governments to disclose separate information about specific types of capital assets and establishes criteria for identifying and reporting capital assets held for sale. The objective of GASB 104 is to enhance transparency and improve the usefulness of financial statements for stakeholders by providing more detailed information on these assets. The provisions are effective for fiscal years beginning after June 15, 2025.
- (c) GASB issued Statement No. 105, *Subsequent Events*, in December 2025. GASB Statement No. 105 clarifies the subsequent events time frame and establishes accounting and disclosure requirements for recognized and nonrecognized subsequent events. The provisions of GASB Statement No. 105 are effective for fiscal years beginning after June 15, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 657,431	\$ 673,611	\$ 687,156	\$ 13,545
Permits and fees	171,779	154,737	175,128	20,391
Intergovernmental	225,801	246,307	236,805	(9,502)
Charges for services	49,840	35,092	35,091	(1)
Investment income	-	1,653	1,652	(1)
Miscellaneous	7,550	35,675	36,198	523
Total revenues	<u>1,112,401</u>	<u>1,147,075</u>	<u>1,172,030</u>	<u>24,955</u>
Expenditures				
Current:				
General government:				
City Commission	101,120	108,426	89,258	19,168
City Manager	159,000	125,517	119,679	5,838
Legal services	60,000	51,000	44,649	6,351
Information technology	20,715	25,797	24,536	1,261
Planning & Zoning	7,000	7,000	7,000	-
Finance	168,090	168,606	170,125	(1,519)
Public safety:				
Law enforcement	96,838	104,268	96,651	7,617
Fire / EMS	25,015	25,000	25,000	-
Cemetery	1,000	2,970	2,745	225
Transportation:				
Public works	276,337	271,613	247,993	23,620
Other services	14,474	8,130	5,126	3,004
Culture and recreation:				
Parks and recreation	183,524	238,492	207,030	31,462
Capital outlay	15,228	4,472	-	4,472
Total expenditures	<u>1,128,341</u>	<u>1,141,291</u>	<u>1,039,792</u>	<u>101,499</u>
Excess (deficiency) of revenues over expenditures	<u>(15,940)</u>	<u>5,784</u>	<u>132,238</u>	<u>126,454</u>
Other financing sources (uses)				
Transfers out	-	(5,784)	-	5,784
Total other financing sources (uses)	<u>-</u>	<u>(5,784)</u>	<u>-</u>	<u>5,784</u>
Net change in fund balances	<u>(15,940)</u>	<u>-</u>	<u>132,238</u>	<u>132,238</u>
Fund balances, beginning of year	565,933	565,933	565,933	-
Fund balances, end of year	<u>\$ 549,993</u>	<u>\$ 565,933</u>	<u>\$ 698,171</u>	<u>\$ 132,238</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF LAKE BUTLER, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - REDEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 26,154	\$ 28,255	\$ 28,255	\$ -
Investment income	5	10	10	-
Total revenues	<u>26,159</u>	<u>28,265</u>	<u>28,265</u>	<u>-</u>
Expenditures				
Current:				
Culture and recreation	26,159	28,265	10,399	17,866
Total expenditures	<u>26,159</u>	<u>28,265</u>	<u>10,399</u>	<u>17,866</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>17,866</u>	<u>17,866</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>17,866</u>	<u>17,866</u>
Fund balances, beginning of year	1,125	1,125	1,125	-
Fund balances, end of year	<u>\$ 1,125</u>	<u>\$ 1,125</u>	<u>\$ 18,991</u>	<u>\$ 17,866</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF LAKE BUTLER, FLORIDA
NOTE TO SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
SEPTEMBER 30, 2025
(UNAUDITED)

Note to Budgetary Comparison Schedules:

The preparation, adoption, and amendment of the budgets are governed by the Florida Statutes. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal yearend. The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

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

	As of the Plan Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System (FRS)										
Proportion of the net pension liability	0.001270719%	0.001473169%	0.001526246%	0.001447715%	0.001271204%	0.001181247%	0.001324748%	0.001374944%	0.001381890%	0.001097940%
Proportionate share of the net pension liability	\$ 394,369	\$ 569,891	\$ 608,161	\$ 538,666	\$ 96,025	\$ 577,070	\$ 456,223	\$ 414,340	\$ 409,345	\$ 277,130
Covered payroll	665,326	669,450	708,760	849,076	601,957	653,071	607,266	613,565	581,070	579,342
Proportionate share of the net pension liability as a percentage of covered payroll	59.26%	85.13%	85.81%	63.44%	15.95%	88.50%	75.13%	67.50%	69.97%	47.84%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.80%	84.88%
Health Insurance Subsidy Program (HIS)										
Proportion of the net pension liability	0.001489269%	0.001381447%	0.001711792%	0.001702193%	0.001387579%	0.001442881%	0.001545372%	0.001560919%	0.001586008%	0.001620261%
Proportionate share of the net pension liability	\$ 190,886	\$ 237,232	\$ 271,847	\$ 180,289	\$ 170,207	\$ 176,173	\$ 172,912	\$ 165,213	\$ 169,797	\$ 188,835
Covered payroll	665,326	669,450	708,760	849,076	601,957	653,071	607,266	613,565	581,070	579,342
Proportionate share of the net pension liability as a percentage of covered payroll	28.68%	35.44%	38.36%	21.23%	28.28%	26.98%	28.47%	26.93%	29.02%	32.59%
Plan fiduciary net position as a percentage of the total pension liability	6.36%	4.89%	4.12%	4.81%	3.56%	3.00%	2.63%	1.88%	1.64%	0.97%

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

	For the Fiscal Year Ended September 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System (FRS)										
Contractually required contribution	\$ 78,480	\$ 78,435	\$ 80,230	\$ 69,247	\$ 53,903	\$ 42,266	\$ 43,917	\$ 43,115	\$ 42,849	\$ 30,953
Contributions in relation to the contractually required contribution	78,480	78,435	80,230	69,247	53,903	42,266	43,917	43,115	42,849	30,953
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 705,174	\$ 636,735	\$ 708,760	\$ 849,076	\$ 601,957	\$ 653,071	\$ 607,266	\$ 613,565	\$ 585,070	\$ 579,342
Contributions as a percentage of covered payroll	11.13%	12.32%	11.32%	8.16%	8.95%	6.47%	7.23%	7.03%	7.32%	5.34%
Health Insurance Subsidy Program (HIS)										
Contractually required contribution	\$ 14,103	\$ 12,735	\$ 12,444	\$ 23,176	\$ 9,078	\$ 8,954	\$ 8,174	\$ 9,314	\$ 17,774	\$ 9,604
Contributions in relation to the contractually required contribution	14,103	12,735	12,444	23,176	9,078	8,954	8,174	9,314	17,774	9,604
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 705,174	\$ 636,735	\$ 708,760	\$ 849,076	\$ 601,957	\$ 653,071	\$ 607,266	\$ 613,565	\$ 585,070	\$ 579,342
Contributions as a percentage of covered payroll	2.00%	2.00%	1.76%	2.73%	1.51%	1.37%	1.35%	1.52%	3.04%	1.66%

**CITY OF LAKE BUTLER, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025**

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Street Fund</u>	<u>USDA Grant</u>	<u>SCOP Grant</u>	
ASSETS				
Equity in pooled cash and investments	\$ 244,720	\$ 100	\$ 100	\$ 244,920
Due from other funds	-	42,600	-	42,600
Total assets	<u>\$ 244,720</u>	<u>\$ 42,700</u>	<u>\$ 100</u>	<u>\$ 287,520</u>
LIABILITIES				
Due to other funds	\$ -	\$ 42,700	\$ -	\$ 42,700
Total liabilities	<u>-</u>	<u>42,700</u>	<u>-</u>	<u>42,700</u>
FUND BALANCES				
Restricted for:				
Grants	-	-	100	100
Transportation	244,720	-	-	244,720
Total fund balances	<u>244,720</u>	<u>-</u>	<u>100</u>	<u>244,820</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 244,720</u>	<u>\$ 42,700</u>	<u>\$ 100</u>	<u>\$ 287,520</u>

CITY OF LAKE BUTLER, FLORIDA
COMBINING STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Street Fund	USDA Grant	SCOP Grant	
Revenues				
Intergovernmental	\$ -	\$ 108,700	\$ -	\$ 108,700
Investment income (loss)	119	-	-	119
Total revenues	119	108,700	-	108,819
Expenditures				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	119	108,700	-	108,819
Other financing sources (uses)				
Transfers in	8,347	-	-	8,347
Transfers out	-	(108,700)	-	(108,700)
Total other financing sources (uses)	8,347	(108,700)	-	(100,353)
Net change in fund balances	8,466	-	-	8,466
Fund balances, beginning of year	236,254	-	100	236,354
Fund balances, end of year	<u>\$ 244,720</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 244,820</u>

**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 Commission, and City Manager,
City of Lake Butler, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 Butler, Florida (the City), as of and for the year ended September 30, 2025, 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 16, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified no deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described below:

2025-001 Budget Administration (Third-Year Repeat Comment)

The City's legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. During our review we noted the following general fund departments exceeded final approved budget:

- General government (Finance) exceed final approved budget by \$1,519

We recommend that the City analyze budget vs. actual results subsequent to year-end as the fiscal year is being closed out and determine the need for additional budget amendments to ensure budgetary compliance, as amendments may be approved by the City Commission up to 60 days after fiscal year-end.

Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying in the management's response as listed in the table of contents. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

James Moore & Co., P.L.

Gainesville, Florida
June 16, 2026

**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 Commission, and City Manager,
City of Lake Butler, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Lake Butler, Florida (the City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 16, 2026.

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Examination 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 16, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The following summarizes the status of prior year findings and recommendations. Finding 2025-001 is from the second preceding audit that remains unresolved.

2024-001 – Budget Administration – Corrective action not taken. See 2025-001.

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 communicate 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 to identify 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 for the Town. It is management's responsibility to monitor the Town'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 the same. We noted the following finding in accordance with those rules:

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:

2025-002 – Controls over System-Generated Check Dates

During our review of year-end disbursements, we noted that certain checks processed on October 7, 2025, were printed with a September 30, 2025 check date. Based on discussions with management and review of supporting documentation, the checks were processed after fiscal year-end and management indicated that the September 30, 2025 check date appears to have resulted from a system-related issue associated with AccuFund year-end processing and the month-end close process rather than an intentional effort to record expenditures in an earlier period. Although the expenditures were appropriately identified by management as October payments, the system-generated check dates created a risk that expenditures and related liabilities could be recorded in the incorrect accounting period and may impair the accuracy of the audit trail supporting year-end transactions. We recommend that management work with its software vendor to determine the cause of the date assignment issue, implement procedures to verify system-generated check dates during the year-end close process, and record year-end expenditures through appropriate accrued liability accounts rather than relying on check processing dates to achieve proper period recognition. These procedures will help ensure expenditures and liabilities are recorded in the proper reporting period and reduce the risk of financial statement misstatements resulting from system processing errors.

Property Assessed Clean Energy (PACE) Programs

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the City's geographical boundaries during the fiscal year under audit.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section

218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Special District Information – the Lake Butler Redevelopment Agency

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Lake Butler Community Redevelopment Agency District reported the following unaudited data:

- a) The total number of district employees compensated in the last pay period of the district's fiscal year: 0.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year: 0.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: 0.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$6,360.
- e) Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as: 0.
- f) A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, as follows: the district's original budget totaled \$26,154 and was amended, for final budgeted expenditures of \$28,255.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Lake Butler Community Redevelopment Agency District reported the following unaudited data:

- a) The mileage rate or rates imposed by the district: 3.25 mils.
- b) The total amount of ad valorem taxes collected by or on behalf of the district: \$28,255.
- c) The total amount of outstanding bonds issued by the district and the terms of such bonds: 0.

Additional Matters

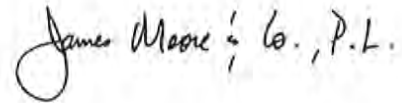
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants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

Management's Response to Recommendations

The City's response to the recommendations identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Commission, 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 cursive script that reads "James Moore & Co., P.L.".

Gainesville, Florida
June 16, 2026



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the City of Lake Butler, Florida's (the City) compliance with Section 218.415, Florida Statutes, Local Government Investment Policies (the Statute), for the year ended September 30, 2025. Management is responsible for the City's compliance with the Statute. Our responsibility is to obtain reasonable assurance by evaluate the City's compliance with the Statute 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 attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance for evaluating the City's compliance with the Statute during the year ended September 30, 2025, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the City's compliance with the Statute during the year ended September 30, 2025. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks that the City was not in compliance with the Statutes in all material respects, 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 and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the City of Lake Butler, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2025.

James Moore & Co., P.L.L.C.

Gainesville, Florida
June 16, 2026

Melissa Hendrix
Mayor
mhendrix@cityoflakebutler.com



Kimberly Hayes
City Manager
khayes@cityoflakebutler.com

Thursday, June 11, 2026

James Moore & Company
5931 NW 1st Place
Gainesville, FL 32607

RE: City of Lake Butler Response to Auditor Findings for Annual Financial Report for period October 1, 2024 through September 30, 2025

James Moore & Company,
Please see attached signed representation letter and below Audit Findings for fiscal year ending September 30, 2025.

- **2025-001 Budget Administration (Third-Year Repeat Comment)**
The City accepts the audit finding 2025-001 Budget Administration (Third-Year Repeat Comment). The City of Lake Butler implemented corrective action in FY 2024-2025 with ensuring that the budget amendment at fiscal year-end (September 30, 2025) was approved within 60 days of the fiscal year end, when it was approved by the City Commission on October 17, 2025. In Fiscal Year 2025-2026, the City will implement a more advanced, in-depth review & will implement internal cutoff testing of the year-end expenditures to ensure that all expenditures for all funds and departments at year-end that may come in October but would be for services or goods received in September, are clearly identified in the budget amendment to avoid expenditures exceeding the final approved budget with the 4th and Final Budget Amendment at year end (September 30, 2026).
- **2025-002 Controls over System-Generated Check Dates**
The City accepts the audit finding 2024-002 Controls over System-Generated Check Dates. The City had a list of expenditures that were intended to be paid in October, but were accidentally entered into September due to a system error which will be discussed with our accounting software manager to prevent a recurrence. In Fiscal Year 2025-2026, the City will ensure that all expenditures for services in September that need to be paid in October will be paid accordingly, while also accounting for the activity in the fiscal year-end expenditures, as stated in the above statement on finding 2025-001 Budget Administration.

Please feel free to reach out with any questions or concerns.

Thank you,


Kimberly Hayes
City Manager