

**CITY OF LAKE CITY, FLORIDA
FINANCIAL STATEMENTS**

**FLORIDA DEPARTMENT OF
ENVIRONMENTAL PROTECTION
STATE REVOLVING FUND
LOAN NO. DW1202010**

PROJECT: WATER UTILITY EXPANSION

**FOR THE PERIOD SEPTEMBER 19, 2005
TO APRIL 20, 2016**

**CITY OF LAKE CITY, FLORIDA
FINANCIAL STATEMENTS**

**FLORIDA DEPARTMENT OF
ENVIRONMENTAL PROTECTION
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LOAN NO. DW1202010**

**FOR THE PERIOD
SEPTEMBER 19, 2005 TO APRIL 20, 2016**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Lake City
Lake City, Florida

Report on the Financial Statements

We have audited the accompanying Special Purpose Statement of Loan Revenues and Expenditures in Comparison to Budget for the City of Lake City, Florida (the City), for the Florida Department of Environmental Protection State Revolving Fund Loan No. DW1202010 for the period of September 19, 2005 to April 20, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the program.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Florida Department of Environmental Protection. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Certified Public Accountants

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Honorable Mayor and City Council
City of Lake City
Lake City, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinion

In our opinion, the Special Purpose Statement of Loan Revenues and Expenditures in Comparison to Budget presents fairly, in all material respects, the loan revenues and expenditures of the City's Florida Department of Environmental Protection State Revolving Fund Loan No. DW1202010 for the period of September 19, 2005 to April 20, 2016, on the basis of accounting described in Note 2.

Basis of Accounting


We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions of Florida Department of Environmental Protection, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of Florida Department of Environmental Protection. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 2, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls 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.

Restriction on Use

This report is intended solely for the information and use of the City Council and management of the City of Lake City, and the Florida Department of Environmental Protection, and is not intended to be and should not be used by anyone other than those specified parties.


May 2, 2017
Gainesville, Florida

CITY OF LAKE CITY, FLORIDA
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION
PROJECT NO. DW1202010 SPECIAL PURPOSE STATEMENT OF LOAN
REVENUES AND EXPENDITURES - BUDGET AND ACTUAL FOR THE PERIOD
SEPTEMBER 19, 2005 (DATE OF INCEPTION) THROUGH APRIL 20, 2016

	Budget⁽¹⁾	Actual⁽²⁾
Revenues		
State of Florida Drinking Water Loan	\$ 11,995,191	\$ 11,995,191
Capitalized Interest	135,941	135,941
Total Revenues	12,131,132	12,131,132
Expenditures		
Administrative Allowance	10,200	10,200
Planning Allowance	66,300	66,300
Engineering Allowance	322,470	322,470
Construction and Demolition	11,556,464	11,556,464
Technical Services During Construction	243,757	243,757
Capitalized Interest	135,941	135,941
Subtotal	12,335,132	12,335,132
Less Grant Amount	(204,000)	(204,000)
(Total Expenditures)	(12,131,132)	(12,131,132)
Excess of Revenues Over Expenditures	\$ 0	\$ 0

(1) Source: Amendment #5 Dated April 11, 2016

(2) Source: General Ledger Dated September 30, 2006, 2007, 2008, 2009, 2010, and 2011

See accompanying notes to the special purpose financial statement.

CITY OF LAKE CITY, FLORIDA

**FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION STATE REVOLVING
FUND LOAN NO. DW1202010
NOTES TO SPECIAL PURPOSE STATEMENT OF LOAN REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
FOR THE PERIOD SEPTEMBER 19, 2005 TO APRIL 20, 2016**

Note 1 - General

The City of Lake City, Florida (the City), is a municipality of the State of Florida. The City provides a variety of municipal services, including public safety, sanitation, highway and streets, airport, physical environment, economic environment, culture and recreation, and sewer services. The City has completed the water utility expansion project. This project was funded by a loan agreement with the Florida Department of Environmental Protection (FDEP).

Note 2 - Basis of Accounting

The Special Purpose Statement of Loan Revenues and Expenditures in Comparison to Budget is prepared on the basis of accounting prescribed by the FDEP in order to comply with Loan No. DW1202010. Under this basis, loan proceeds are recognized as revenues when monies are received. Expenditures are recognized when incurred. This Special Purpose Statement of Loan Revenues and Expenditures – Budget to Actual, covers only the loan activity for the project described in the loan agreement and is not representative of the City's utility fund taken as a whole.

Note 3 - Loan Covenants

The loan agreement described above provides for:

- The City to maintain rates and charges for the services furnished by the water and sewer system to provide pledged revenue at least equal to 1.15 times the sum of payments due in each fiscal year. For the City's fiscal year ended September 30, 2015, the last fiscal year in which the loan was outstanding, the rate coverage ratio was 3.49. The City maintained a coverage ratio in excess of the covenant requirement for the entire period under audit.
- Deposits made each month to the debt service account for an amount equal to one-sixth (1/6) of the next semiannual loan payment. The City's debt service account was adequately funded until it was refunded in May of 2016.

Note 4 - Capitalized Interest

Capitalized interest represents interest cost that is compounded annually and accrues from the time loan disbursements are made through six months prior to when the first semiannual loan payment is due.

Note 5 - Contingency

The loan amount from FDEP is subject to audit and adjustment. If any expenditures are disallowed by the FDEP as the result of such an audit, any claim for reimbursement to the FDEP would become a liability of the City. In the opinion of management, all loan expenditures are in compliance with the terms of the loan agreement and Chapter 62.552 of the Florida Administrative Code.

**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***

Honorable Mayor and City Council
City of Lake City
Lake City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Statement of Loan Revenues and Expenditures in Comparison to Budget for the City of Lake City, Florida (the City), for the Florida Department of Environmental Protection State Revolving Fund Loan No. DW1202010 for the period of September 19, 2005 through April 20, 2016, and the related notes to the special purpose financial statement, and have issued our report thereon, dated May 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the special purpose financial statement, we considered the City's internal control over financial reporting as it relates to the special purpose financial statement (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the special purpose financial statement, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Certified Public Accountants

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**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*
(*Concluded*)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's special purpose financial statement is 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 determination of special purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



May 2, 2017
Gainesville, Florida